



This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

- + *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
- + *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
- + *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
- + *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at <http://books.google.com/>

WIDENER



HN NYDB Z

THE CASE FOR CAPITALISM

HARTLEY WITHERS

Soc 772.20

A



The gift of

Costas Michael Proussis

HARVARD COLLEGE LIBRARY

~~8/3.00~~
1.25-

THE CASE FOR CAPITALISM

THE CASE FOR CAPITALISM

BY
HARTLEY WITHERS

AUTHOR OF
"THE MEANING OF MONEY," "POVERTY AND WASTE," ETC.



"For men, and not walls, make a city."
THUCYDIDES.

NEW YORK
E. P. DUTTON & CO.
681 FIFTH AVENUE

Soc 772.20
✓ A

COPYRIGHT, 1920.

By E. P. DUTTON & COMPANY

All Rights Reserved



PRINTED IN THE UNITED STATES OF AMERICA

PREFACE

To make a better world we want better men and women. No reform of laws and institutions and economic systems will bring it unless it produces them. Institutions and systems that turn men and women into machines working under the control of officials or of monopolies will not make them better even if, as is very far from likely, they make them better off. It is only through facing life's problems for ourselves, making our own mistakes and scoring our own hits, that we can train and hammer ourselves into something better. Individual freedom, initiative and enterprise, have been the life-blood of the Anglo-Saxon race and have made it what it is, pre-eminent among the races of the world because its men and women can think and act for themselves. If we throw away this heritage because we think that regulation and regimentation will serve us better, we shall do a bad day's work for ourselves and for human progress. And yet this seems to be the object

to which many earnest and sincere reformers are now trying to lead us, when they ask us to accept nationalization of industry or its organization under Guild monopolies, as a remedy for the evils which are evident in our economic system. If they succeed life will cease to be an adventure and become a drill; the tendency to variation which, as science teaches us, is the secret of development, will be killed or checked, and we shall be standardized, like Government boots.

This book is written to show that the greater output of goods and services on which material progress depends cannot be expected with certainty under any form of Socialism that has yet been proposed; that Capitalism, though a certain amount of robbery goes on in its back-yard, does not itself rob anybody, but has wrought great benefits for all classes; and that, if improved and expanded as it may be without any sudden change in human nature such as other systems demand, it may earn for us the great material advance that is needed to provide us with a better, nobler, and more beautiful world.

HARTLEY WITHERS.

London, January 1920.

CONTENTS

PREFACE	PAGE v
CHAPTER I	
INTRODUCTORY	11
The Existing Discontent—Rebuilding or Overturning ?— The World that we want—The Need for greater Output to secure it—What System will give it to us ?	
CHAPTER II	
THE WEAKNESS AND STRENGTH OF CAPITALISM	24
Its Inequalities—Their bad Effects—Its Advantages, moral and material—The Reward of Effort—Value—The Power of the Consumer—Capitalism and the Democratic Principle.	
CHAPTER III	
THE ESSENTIALS OF PRODUCTION	44
Strength and Skill—Tools, Material and Time—Manage- ment—Readiness to face Failure—Crusoe's Example.	
CHAPTER IV	
THE CAPITALIST THIEF	61
Is the Capitalist a Thief?—The Service that he Renders— Messrs. Bernard Shaw and Ramsay Macdonald on Rent— Socially created Wealth—Mr. Macdonald on the Value of Capital—Ruskin and the Plane.	

CHAPTER V		PAGE
LABOUR AND ITS PRODUCT		88
Does Capital rob Labour of "Surplus Value"?—Dr. Menger and Mr. Snowden—Back to Crusoe—Surplus Value largely produced by Capital—Shared in by Labour—The Advantages of High Wages.		
CHAPTER VI		
THE ACHIEVEMENTS OF CAPITALISM		113
Great Increase in Population—And Output—Industrial and Scientific Progress—Financial Development—Labour's Share in these Benefits—Capitalism and Peace—Dr. Shadwell on Mediaeval and Modern Conditions.		
CHAPTER VII		
THE RISKS OF STATE SOCIALISM		138
Socialism Defined—The Position of the Worker—Possible Improvement in Output—Possibilities of Friction—Question of Official Management—War's Experience—The Workers and the Government.		
CHAPTER VIII		
A PICTURE OF STATE SOCIALISM		169
Mr. Robert Tressall's Description—Its Attractiveness—State Socialism flouted by the Guildsmen—Mr. Brace, M.P., on Bureaucratic Control.		
CHAPTER IX		
GUILD SOCIALISM		189
Its Resemblance to Syndicalism—Its Difficulties—Mr. Cole's Exposition—The Position of the State—"Degraded Status" of the Workers—Proposals for its Amendment—Would they work well?"—"Catastrophic Action."		

CONTENTS

ix

CHAPTER X

	PAGE
THE GUILD PROGRAMME	213

The Attack on "Surplus Value," Rent and Interest—
Wages and Pay—Guild Membership—Possibly "worse
off than we are"—The Pay of Hierarchs—Inter-Guild
Friction—Dealing with the Capitalist.

CHAPTER XI

CAPITALISM AND FREEDOM	236
----------------------------------	-----

What Capitalism has done for us—Consumer's Freedom—
Is Capitalism committing Suicide?—Its Mistakes in the
Past—Labour as Capitalist—What might be.

CHAPTER I

INTRODUCTORY

It is easy in these times to put the case against any existing institution. Most of us are in a highly critical mood, because we feel that during the last few years things have happened which ought never to have happened, and that these earth-shaking events were not well met and handled, especially on their economic side. We have seen the whole fabric of civilization in danger and a desperate battle raging to save it, and we have felt that, if civilization had been better, and the governors of the nations had been more worthy of their charge, it could never have contained the seeds of such danger, or the seeds ought never to have been allowed to sprout and blossom. During the contest we have seen the best men in all the countries concerned—the best in strength of body, courage and devotion—suffering untold hardships, wounds and death, while the next best and the worst have stayed at home and have in many cases made large

12 THE CASE FOR CAPITALISM

fortunes, or greatly increased their wealth. A world crisis which ends in enormous destruction of life and property, and at the same time in the enriching of many of those who were not good enough, in mind and body, to risk their lives to meet it, seems to be a piece of sheer stupidity and injustice. It is no wonder that many impatient minds are driven to the conclusion that every institution which existed at the time when these crimes and absurdities were perpetrated should be cut down, rooted out and cast upon the dust heap.

Is this state of mind a good one in which to set out on the task of mending the breaches that have been made in the walls of the building in which we have lived? Is it wise, because the building has been found not to be proof against the weather, to pull it down in disgust and start making a new one to a new plan and on a new system of mechanics which has never been tested and may turn out a home that will not even stand up? Might it not be better to improve the old one? The need for amendment is now admitted by the great majority. The only question to be decided is whether the changes made are to be on lines that have produced a working result; or to be based on imaginative dreams which tell us how much

better everything might be if we worked under a new system, which has only been sketched in hazy outline, about which its advocates have shown much unanimity in disagreeing. They want to see a world in which every one will have a fair chance of a real life ; so do most of us. They want to turn everything upside down in order to get it ; and they may be right. But, if they are wrong, their experiment will work disaster. If we can get the same result along lines that have been tried, is it not safer to work along them and avoid this risk ?

The present system under which we work and exchange our work for that of others is that commonly described as Capitalism. Under it each one, male or female, can choose what work he will try to do and what employer he will try to serve ; if he does not like his job or his employer, he can leave it or him and try to get another. He cannot earn unless he can do work that somebody wants to buy, and so he competes with all other workers in producing goods or services that others want and will pay for. His reward depends on the success with which he can satisfy the wants of others. Whatever money he earns in return for his labour he can spend as he chooses on the purchase of goods and services for his own use or

14 THE CASE FOR CAPITALISM

for that of his dependents, or he can invest it in opening up a business or industry on his own account, or in shares and debts of public companies, and debts of Governments or public bodies ; these securities will pay him a rate of profit or interest if the companies or debtors prosper and are solvent. Whatever money he earns by labour or by investment he can, after paying such taxes on it as the State demands, hand on to any heirs whom he may name.

The system is thus based on private property, competition, individual effort, individual responsibility and individual choice. Under it, all men and women are more or less often faced by problems which they have to decide, and, according as their decision is right or wrong, their welfare and that of their dependents will wax or wane. It is thus very stimulating and bracing, and might be expected to bring out the best effort of the individual to do good work that will be well paid so that he and his may prosper and multiply. If only every one had a fair start and began life with an equal chance of turning his industry and powers to good account, it would be difficult to devise a scheme of economic life more likely to produce great results from human nature as it now is ; by stimulating its instincts for gain and rivalry

to a great output of goods and services and by sharpening its faculties, not only for exercise in this purely material use, but also for solving the bigger problems of life and human intercourse that lie behind it.

In fact, however, this system of Capitalism is at present perhaps more widely criticized and abused than any other human institution. And with some reason, for many of its results have been bad, and there is room for great improvement which criticism can help. But criticism that is bad-tempered and unreasonable will do more harm than good. The people who are working on this great business of producing, distributing and consuming the world's wealth are, in the mass, ordinary human beings, with the good and bad qualities of ordinary folk. The ordinary man and woman is an honest, good-natured person who, though not too eager to work very hard, does not want to rob anybody else. If this were not so, society could not exist, and progress would have been impossible. If it be true—as some advocates of Socialism maintain—that Capitalists live by robbing workers of goods which they have produced, it is also true that the average Capitalist does not know that he is doing any such thing, and that if once this crime can be

16 THE CASE FOR CAPITALISM

brought home to him, and he can be not only convicted but convinced, he will be quite ready to give up methods by which he has been preying on society.

The test of an economic system is its success in providing us with a good world to live in. In what sort of a world would it be really pleasant to live? To begin with, there would have to be plenty of good things and nice people. Up to a point, the good things come first, because we cannot live without them. But after our needs have been met in the matter of necessities and comforts, up to a very moderate extent, the necessity of pleasant people in order to lead a pleasant life among them becomes overwhelming. And people are pleasant to live with who are kindly, generous, honest, unselfish, healthy, keen and fully developed in mind and body. To get such people we evidently need a great increase in the output of material goods. It is, of course, very easy to find many examples of bad-tempered people who are well off, and of others who, leading lives of straitened penury, set an example of saintly behaviour. But it is a safe working rule that if the average human being can have a better supply of commodities and comforts, he is more likely

to be pleasant to live with and to help us to get the world that we are looking for than if he is living under conditions of scarcity and discomfort, and for real development we must have leisure and opportunity for education. Moreover, we want not only good things, but beautiful things. Beautiful things and beautiful houses and beautiful cities require more time and better materials in their making than the shoddy goods, sordid houses and dirty and insanitary towns which are so evil a blot on our so-called civilization. If we want a world in which every article we use is well and beautifully made, every house that we live in is well and beautifully built, and every town in which we gather is as beautiful as Oxford or Canterbury, and more so—because modern ugliness has put some foul blots upon these once beautiful centres—if we want all these things we must spare the time to make things well. We must not only be ready to maintain in comfort a large number of people who will give no thought to anything else but the production of beauty in some line or other of industry, we must also light in everybody's mind the fire of desire for beauty.

In old days a tyrant or a wealthy class or a church was able to produce buildings and

18 THE CASE FOR CAPITALISM

works of art full of a beauty or a grandeur which still astonishes us, by means of slave labour or by the devotion of members of a church who built, for example, the mediaeval cathedrals to the glory of God and for the sheer pleasure of building Him a noble house. In these days, economic power is much more widely spread and will be spread still more widely as wealth is better distributed; and we cannot expect to have a really beautiful country unless the greater number of the people know what beauty is and try to arrive at it. It is an open question whether this desire for beauty is a thing that can be taught, but we may be quite sure that we are not likely to get it as long as most of us are concerned only with the narrow problems of making a living, and have no chance of full development of our minds and perceptions. In other words, we want education and facilities for travel on a scale that we have not yet dreamt of. We want everybody with whom we come in contact to be really well taught and really well informed, not necessarily in the way of schooling and book-learning. Many of the most interesting people whom we come across are very deficient in both, but they have been able to have had wide and varied experience, to have

seen "many men and cities," and to have exchanged ideas with dwellers in many distant lands.

Here again it is easy to counter the argument with examples of homely folk who have never been ten miles from their native village and yet, owing to their powers of observation and sympathy, have made themselves masters of all that life means within a small compass. But these examples of genius working under circumstances of great difficulty do not make it any the less true that it is good for the average human being to roam about the world and submit to the process by which men knock sparks out of one another by personal impact. For all this—education in a much wider sense than has yet been attempted and improvements in human intercourse of which we can hardly yet dream—a great increase is needed in the output of good and services that mankind enjoys.

It will not be enough, of course, unless those to whom these advantages are given make the right use of them. Travel, as it is at present granted to a comparatively small class, often seems to fail lamentably in widening their outlook. The young English Philistine who goes to Switzerland only for skiing and tobogganing,

20 THE CASE FOR CAPITALISM

and regards the natural beauties of his own country chiefly from the point of view of their adaptability to the purposes of golf links, is not a good example of mental development stimulated by travel. All this has to be granted ; but even those who, when travelling, confine themselves most carefully to the hotels and resorts in which they will meet no one but the most aggressively national spirits of their own nation, do get something from change of air and scene. Plenty of arguments can be brought forward against any attempt at trying to get at a better world in which everybody will be pleasanter and more sensible, but there is no need to despair. In spite of all that has happened in the last few years, there are most encouraging signs of an improvement in the outlook of mankind upon its duties to itself.

Little more than two hundred years ago a *Te Deum* was sung in St. Paul's, specially composed by Handel for the occasion, to celebrate the Peace of Utrecht which gave England a practical monopoly in the slave trade from West Africa to America. About a hundred years ago, at the end of a war which had shaken and strained England almost as much as the one which we have just gone through, the Income Tax, on the declaration of peace,

was immediately abolished, and the whole burden of a heavy debt-charge was thrown on to indirect taxation of articles of consumption, which pressed most wickedly upon the poorer classes. Our ancestors who committed this economic crime were at least as good, according to their lights, as the statesmen of to-day, but they did not understand what they were doing. Probably there are many to-day who would like to repeat the proceeding now; but they could not even suggest it, because public opinion would not hear of it, quite apart from the fact that the widened suffrage would make it politically impossible. On all sides we see evidence of great improvement in what is thought about the manner in which one set of men should be treated by another. Great strides have been made under the Capitalistic era in the direction of making the world a pleasanter place to live in, and though some of them have involved the development of new forms of suffering and disgrace, we can still maintain that the movement has been forward on the whole.

It need hardly be said that this progress that we seek must not be confined to a small class. A really good world to live in implies, not only that we live there pleasantly among

22 THE CASE FOR CAPITALISM

a set of pleasant people, but that there is no horrible suffering and destitution in the next street or anywhere else, which we have to forget before we can be happy. Wealth in the sense of ordinary welfare and comfort must be not only abundant but well distributed before the world can be a pleasant place to live in for those who have any sympathy with human suffering.

Thus we see that material output, though it is very far from being the end of all things, is of very great assistance in helping to produce the sort of world at which we want to arrive. A certain amount of it is essential to existence, and a great increase in it will help very much, as human nature is at present, to make everybody pleasant to live with in the truest sense of the word, to make the world and all the conditions under which we live beautiful and noble, and to enable all to be educated in the truest and widest sense of the word. It follows, therefore, that in order to get at the world that we want, an increase in material output and a great improvement in its diffusion among all classes, are essential. When we consider the economic system under which we live and alternatives to it which are suggested by its critics, the first question that we have to ask

is, How far it and these alternatives are likely to be efficient in this matter of material output. We cannot get a really good world, full of good and noble people, unless we can greatly increase man's power to produce.

CHAPTER II

THE WEAKNESS AND STRENGTH OF CAPITALISM

AMONG the many drawbacks that mar the system of private ownership of capital, as it has been hitherto developed, an obvious blot has already been noted, when it was observed, some pages ago, that if only every one had a fair start it would be difficult to devise a more stimulating arrangement for human nature as it is with its instinct for acquisition and rivalry. Under private ownership of capital this fair start has not been given. Capitalism, as now understood, is usually regarded as dating from about the middle of the eighteenth century, when what is called the Industrial Revolution began. Before then, the tools of industry were primitive and cheap, and it was comparatively easy for the worker to own his own capital, in the shape of tools and raw material. When machinery came and brought with it production on a great scale in large factories, a great capital was necessary to success, and so the worker and his capital were divorced from

WEAKNESS AND STRENGTH 25

one another. Some individual or body had to be found, prepared to provide the necessary equipment, and to hire those who had strength and skill to work it.

In the past the position of the owner of capital has been strong, because capital has been generally, if not always, scarce as compared with labour, and, until labour organized itself, the bargaining power of the owner of capital was greater than that of those who had little or no resources behind them. This advantage in the hands of the capitalist, however, is not a necessary part of a capitalistic system. Capital without labour and labour without capital are under modern conditions equally powerless, and in these days labour, with its growing political influence and the sympathy of public opinion whenever it can show a real grievance, is fully able to take care of itself. Moreover there is no reason why the sharp division between the owners of capital and those who work its machinery should be maintained. Under an ideal capitalistic system every worker would be a capitalist and every capitalist would be a worker. And this is an ideal that is quite within the bounds of possibility.

But this is not the only inequality that made

26 THE CASE FOR CAPITALISM

the race for material success an unfair contest. The owning class not only controls the equipment of industry, but also, by its greater individual wealth, can give its sons, daughters and dependents a better and longer education and bring them up under conditions—in the matter of food, clothing and access to good air—that give them a long start in life's race. Convention and custom increase the inequality. Certain jobs and positions are actually reserved for those who have had an education that can usually be afforded only by the children of the well-to-do. For instance, only a boy of exceptional cleverness can rise from a primary school to the university degree that is necessary for entry into the learned professions. And many other positions, though there is no such definite bar, are practically reserved by custom and prejudice to those who speak a certain kind of English, wear a certain kind of clothes, and behave with a certain kind of assurance and confidence; all which gifts are only to be acquired at a certain kind of school, or in a certain kind of home surroundings. Luck or ability sometimes enables exceptional persons to overcome these bars. Fleet Street tradition whispers of an unsuccessful plumber who made a great mark as a journalist and a great fortune

WEAKNESS AND STRENGTH 27

as a newspaper proprietor, but the story of his failure as a plumber was probably a slander prompted by envy. There is, however, no need to be libellous in order to find scores of men who have risen from the bottom to the top of the ladder of wealth, beginning life with nothing behind them but their wits and their good luck and ending it great owners of capital.

Nevertheless there the handicap is. The well-to-do, under the private ownership of capital, can live, if they have enough of it, on the toll that it takes from production without doing any work at all, and if they want to work have everything made easy for them in the shape of specially reserved posts, and the connections and influence that are so great a help in making a start. It must be a very great temptation to those who are rich enough to be able to idle through life, to do so ; and the fact that very few succumb to it shows that some sort of activity is a natural want of a healthy and normal human being. There has been a noticeable change in this respect even within the memory of the middle-aged. The graceful idleness which used to be thought so gentlemanly is now much less popular than it was, and young men of the class that used to

28 THE CASE FOR CAPITALISM

go to the university as to a social, sporting and athletic club were approaching life from a much more serious point of view even before the war. It is curious to note that in America the tendency seemed to be in the other direction. There opinion was apparently growing in favour of the creation of a leisured class which would do something in life besides pursuing dollars. A leisured class that uses its leisure to do public work that is otherwise done ill or left undone is certainly a national asset, but it cannot be denied that under the capitalistic system there has existed a class of most un-amiable folk who lived narrow, selfish lives on wealth that they had inherited, grumbled at paying taxes, forgetting that if the Government did not protect them and their property they would be quite unable to earn a living, and seemed to expect the whole world to be managed for their convenience and comfort. Most of us have suffered from such people, who are apt to gather at such resorts as residential hotels. They were generally quite unable to amuse themselves, and lived lives of unprofitable boredom, a nuisance to themselves and to most people whom they met.

This handicap of inequality was thus in many cases bad for those who enjoyed it. For

WEAKNESS AND STRENGTH 29

those who started with it against them it must have often been a daunting influence if it affected them seriously. But how far did it do so? The average man surely aims at being moderately successful in the conditions under which he starts. One can, in these matters, only judge from one's own experience. To myself, born into the circumstances of an ordinary middle-class family, it never occurred that I was handicapped by the fact that many people were born with much easier chances of much greater success. There was a road clearly marked out for me. Somehow I had to make a living, and the fact that some people were not under that necessity was not a thing that influenced me one way or the other in approaching the problem. But this may only have been because I was thoughtless or unimaginative, and I remember when I was at Oxford hearing a very brilliant man of my year remark that it made him "feel Socialistic" when he was starting off to an early morning lecture and saw other men setting out for a day's hunting. In this case at any rate the early recognition of what seemed to be economic injustice had no practical effect in checking effort. My old friend may have felt Socialistic, but he went off to his lecture and did his day's

30 THE CASE FOR CAPITALISM

work, and is now a shining ornament of the Indian Civil Service.

But we of the middle class, of course, have no right to talk as if we had any real grievance under the capitalist system. We had quite as much as was good for us, and got an education and tradition that generally stimulated us to make fairly good use of the powers with which we were born. The question must look very different to those who view it when born under conditions of destitution, and have imagination enough to see how great are the disadvantages which this accident brings with it. In this case it must often happen that despairing apathy is a very real clog to effort, and there is small reason to wonder if many of those so born not only feel Socialistic, but put much energy and bitterness into working for schemes to reconstruct society on a new basis. If a new basis of society were really going to produce a better life for the community as a whole, most of us would sympathize strongly with this ambition ; but doubt on this point is the reason why this book is being written.

It seems, however, that the inequality only has to be lessened in order to modify very greatly its adverse effect on those who suffer from it most. In America Capitalism has grown

WEAKNESS AND STRENGTH 31

with a vigorous and perhaps ruthless strength, unchecked by the many feudal and social restrictions which have in this country turned the edge of its power. But owing to the circumstances there ruling—the wealth of the country and the unlimited power of expansion that its undeveloped resources have placed in the hands of its citizens—the way from the bottom to the top has been more open. The traveller there seemed to find himself in a country in which there were no bars between class and class. Those at the bottom looked on those farther up as people who had gone ahead but might be caught up and would be. There was no sense of a heavy handicap. I came in contact in a curious way with this cheerful sentiment when in a hotel in Denver in 1911. A Swedish chambermaid when I was leaving was good enough to say that she was sorry I was going because I was “nice and clean in my room.” I asked her if she would like to come and be a maid in my home in England. She declined on inquiring into the possibilities of the position, but added: “I tell you what; I won’t come and be a maid in your home, but I’ll marry some fellow who’ll make a pile, and then I’ll come and stay with you.” I gave her my card, and I hope and fully

32 THE CASE FOR CAPITALISM

expect that some day she will arrive, with the husband and the pile in her train.

It thus seems that the drawbacks of inequality are bad for a limited number, both of those who are apparently benefited by them, and of those to whom they are a handicap, but that their adverse effect on the latter can be greatly reduced, if the inequalities of birth and fortune are not allowed to be a serious bar to success in life. When we have granted all this, we have next to consider what are the advantages that the capitalistic system carries with it. In the first place, there is the moral advantage involved by individual choice and responsibility which make men and women of us, while grandmotherly regulations under State or Guild monopoly would make us into machines. In the second, it is clear that the ordinary man will work harder and better if he knows that the result of his work is going to be an improvement in his economic position and in that of his dependents. For every man to work for all the rest just as hard as he will now work for his own hand is an ideal to which human nature may some day attain; but we have not yet arrived there, and if we try to make things better by assuming that we have, we may put back the clock of progress by a century or two.

WEAKNESS AND STRENGTH 33

The incentive to effort that is given by the power of acquisition is at present the great driving-force that constantly improves man's control over nature. If we took it away we might find not only that the improvement ceased, but that there was a very serious decline in the output of any country that tried the experiment; and we always have to remember that a country's output is all that it has to live on, apart from the accumulations out of past output, which would very soon be exhausted.

From a purely economic point of view the advantage of a reward for effort in proportion to its success seems to be overwhelming. It is true that, as things are, success in production or organization often comes from forcing very questionable goods or services on a stupid and ignorant public. But that is the public's fault for being stupid and ignorant, and what is the alternative? Either an equal reward for everybody whatever the effort made and whatever the work produced—a system that would, as things are, simply mean that an ever-increasing body of sluggards would live on an ever-dwindling and more disgusted body of workers; or else some new device for a reward in proportion to what is called the "social value" of

34 THE CASE FOR CAPITALISM

the work done. What this social value really means it is hard to say. What is the social value of Mr. Charlie Chaplin as compared with a coal-hewer? And who is to decide the question? If, as seems most likely, it is to be a popularly elected body, their election would be a pretty picture of glib promise-makers competing for the suffrages of those whose power to help themselves out of the general store of wealth they were going to decide. If the deciding body is to be composed of Government officials the results, though less obviously disgusting, would probably be still more unsatisfactory in the end.

This question of the reward of effort is the most difficult problem that one hits one's head against when one tries to grope a practical path through economic theory. If the reward is to be in proportion to the market value of the work done, inequalities that will have bad effects will certainly arise. These bad effects seem on the whole to be preferable to the worse effects on the general output, out of which we all have to live, that are likely to follow from rewarding everybody not for the work that they do but for merely having taken the trouble to be born, like the Marquis in the French farce. The present system can at

WEAKNESS AND STRENGTH 35

least claim the merit of having worked indifferent well and of being obviously capable of improvement, if the community will only apply a little more sense to the objects on which it spends its money. Under it the value of our work, like that of everything else, is what it will fetch—that is, what we can get for it out of our fellows. If they are vulgar, tasteless and stupid we can sell them rubbish and grow fat on them, if we happen to be greedy rogues. The fact that many of them are vulgar, tasteless and stupid thus gives greedy rogues a chance of which they make ready use; and so the unpleasant sight is daily seen of greedy rogues battenning on vulgar stupidity, and so getting for themselves all the power and influence that wealth brings with it. And then moralists naturally exclaim that there is dreadful villainy abroad, and that the laws ought to be made much stricter for catching and punishing it; and short-cutting reformers cry out that there is no remedy for such a system except its abolition and the substitution of a new way of rewarding people which shall not in any way depend on the price at which they can sell their work. But surely the true remedy, though a terribly slow one, is for the community to contain a smaller and smaller

36 THE CASE FOR CAPITALISM

number of vulgar, tasteless and stupid people so that it shall grow continually more difficult for bad work to get a good price.

After all, however we may beat about the bush, the value of anything that has to be exchanged or sold is, and must be, nothing but what we can get for it, whether the thing be our own work or some article that we have otherwise acquired. Economists have obscured the question of value by distinguishing between Value in Use and Value in Exchange, and otherwise surrounding it with subtleties that the ordinary man cannot, and does not want to, understand. The value of anything that I have to sell is what I can get for it, and the value of anything that I want is the amount of my work, or of goods that I possess, or of money that I will give and the owner of it will accept. When expressed in money, value becomes price.

Many things, such as friendship, are most precious possessions but have no value in an economic sense because they cannot be bought and sold, and would lose their real worth if they could. From the confusion that this fact produces the notion arises that there can be such a thing as "inherent" value in an article apart from anybody's desire for it, and thence

WEAKNESS AND STRENGTH 37

we easily fall into the fallacy which tells us that a thing must be valuable because a certain amount of work and energy have been put into it. Work and energy may be lavished on the production of something that nobody wants, but if there is no demand for it it will have no economic value.

Economic text-books tell us that there are goods, such as air, which are essential to life and so have incalculable "value in use" but are provided by nature to an unlimited extent and so have no "value in exchange." Thereby they merely confuse themselves and their readers. Obviously nobody will pay for anything that is given to him free, except perhaps the American millionaire who left his hotel because he was not charged enough to enable him to feel that he was really "having a good time." Air, when it is supplied by Nature, has no value in an economic sense because no one will give anything for it, and to say that it has a "value in use" because we should pay all that we have for it if it was not there, is only to introduce a quite irrelevant confusion into economics, which is ultimately an inquiry into the terms on which men produce and exchange goods. When and where air is scarce it is paid for. The Central London Railway

38 THE CASE FOR CAPITALISM

has, to the great benefit of its passengers, paid for a system by which its tunnels are supplied with air; and seaside lodging-house keepers make a handsome harvest out of Londoners, who come to stay in otherwise most unattractive spots in order to breathe sea-air and get the London soot out of their lungs.

Value is merely a question of the extent to which somebody wants a thing in relation to the extent to which its present owner wants to keep it. It thus depends to a great extent on place, since an article that is a drug in the market here may be scarce to the point of preciousness somewhere else. As was well shown by the answer of the Scotch drover when a Londoner remonstrated with him for the prices at which he was selling his beasts at a Highland fair, and told him that if he took them to Smithfield he would get twice the money for them. "Vera true," said the Scot; "and if I could take Loch Lomond to Hell I should sell it for half a croon a glass." Value, then, is what we can get for a thing or what we have to give for it, when we work, as practically all of us do now, in co-operation with our fellows, making something or doing something that they will pay for and using their payments to us in paying for work that they

WEAKNESS AND STRENGTH 39

do. If we were self-sufficing and made everything that we wanted for ourselves, value would still be determined by the same principle, because we should still have to decide how much of our work and exertion was worth putting into the production of any article that we desired. It would still be a question of the degree of desirability and the amount of effort that we were prepared to give in exchange for an object that we wanted.

If then the value of everything that has to be exchanged is the sum of things that we can get for it, how is the basis of exchange to be arrived at? Capitalism leaves the question to be decided by competition, so putting the ultimate decision concerning the price of any article of common use into the hands of the average consumer. The consumer cannot, of course, say that he will have an article at a price at which it is impossible to produce it. But he can, under Capitalism, say that if he cannot have it at a price he will take something else instead. "Whoever ultimately fixes Prices," said the *New Age* of August 14, 1919, "controls thereby the distribution of the wealth of the world." Under Capitalism this power is given to the average consumer, and this is an enormous advantage on the side of Capitalism

40 THE CASE FOR CAPITALISM

as compared with any other system that has yet been devised. For it means that we have to work to satisfy the wishes of our fellows, as expressed in their demand for goods and services. Their demand may be ill-judged and faulty, but it is real and human, and it is the expression of individual choice freely exercised. Under State Socialism the value of our work—what we could get for it—would apparently be the reward which Government officials thought fit to award to us. We should be working not to please the ordinary human being with all his faults and foibles, but to earn the approval of an inspector, whose decision would be based on red-tape rules and formulas drawn up and enunciated and annotated in offices tenanted by beings who, from the nature of their duties, would be more or less out of sympathy with common humanity. Under Guild Socialism, as will be seen later, every guild would apparently work largely according to the fancy of its members; and how they would arrive at a decision of the value of the work so done—that is at a basis on which their products should be exchanged—is one of the many problems that the advocates of the system do not seem yet to have fairly faced.

Capitalism leaves the question of the value of

WEAKNESS AND STRENGTH 41

work done to the buyer, that is to the average consumer. It is thus much more truly democratic and in favour of freedom than either of the rival systems. Under it nobody can earn a penny unless somebody else wants his work. It may be thought that the capitalist, or the manager who organizes production on the capitalist's behalf, has the final say as to what goods shall be produced, and this delusion is at the bottom of much of the talk that is heard nowadays about the tyranny of capital and of its ruthless decisions about the objects to which the labour that it hires is to be devoted. But the capitalist and the manager, unless they are continually successful in meeting a public demand for the goods that they produce or distribute, will very soon be in Queer Street. If the capitalist puts his money and the manager his organizing power into turning out or turning over goods that nobody wants, there will be no interest or profit for the former and no salary for the latter. Value under the capitalist system thus depends directly on the popular voice, and will do so more and more as wealth is better distributed, as we hope and are determined to see it. At the same time, the tastes of the minority are not neglected, because under competition a minority that is large enough to

42 THE CASE FOR CAPITALISM

express an effective demand will get it satisfied. To make the system work really well and only give good rewards to good work, it is thus only necessary to train the great mass of individuals who make up the popular voice to judge better concerning the things that they want to buy. This is a long and difficult process, but it works side by side and hand in hand with real progress, which can only be got by creating a community composed of individuals who are good and sound in every sense. No rearrangement or rebuilding of systems and institutions will do any good that fails to produce good and sound men and women, any more than the most cunning cooking-stove will make a good omelette out of bad eggs.

Capitalism then is essentially democratic. State Socialism would hand us over to the regulation of the impervious and elusive bureaucrat. Guild Socialism would leave the consumer to the tender mercies of producing Guilds. Capitalism puts the real power in the hands of the average consumer, and so suffers from and rejoices in all the weakness and force, all the hopefulness and despair, that are associated with democracy. If democracy wins its battle by producing a race of men fit to work it, then its victory will cure the worst evils of

WEAKNESS AND STRENGTH 43

Capitalism. It will no longer be possible for providers of rubbish to make fortunes by selling it to fools, or for company promoters and swindlers and "sharepushers" to found county families out of the gains of fraud at the expense of silliness, or for unnecessary middlemen to take toll on what we consume because shopkeepers do not know their business, or for advertisers to wax fat because buyers do not know their wants. But Capitalism as it might be, is a subject for a later chapter. At this stage of our inquiry it is enough to have shown that by giving the word of command to the average consumer it is based on democratic principle, and will stand or fall with the success or failure of that principle in justifying itself.

If democracy fails and we go back to Divine Right, not of kings but of bureaucrats or guildsmen, then to those of us who believe in freedom it will not be a matter of great moment under what economic system we have to live.

CHAPTER III

THE ESSENTIALS OF PRODUCTION

It has been shown that under the competition which is, or has been, the corner-stone of Capitalism, the value or price of articles sold is finally decided by the consumer. (Whether Capitalism is committing suicide by destroying competition is a point that will have to be discussed later.) But the price obtained has to be shared among several parties who, under modern conditions, work together on the process of production. And so before we proceed to consider in greater detail the case for Capitalism as compared with its suggested rivals, it is better for us to arrive at an understanding of the essential articles and qualities which are required for production, and have to be paid for, under whatever system production is carried on. These may be tabulated as follows :—

1. Strength and skill.
2. Tools, material and time.

ESSENTIALS OF PRODUCTION 45

3. Management.

4. Readiness to face failure.

Concerning No. 1 there is no need to waste many words. Under the curse of Adam, a certain amount of toil, involving physical strength and aptitude for the task in hand, is involved continually in mankind's effort to improve the productive powers of nature by working on them. As mankind improves the machinery and equipment which it brings to bear upon this problem, the need for physical strength is lessened, and the need for skill is varied. Less craftsmanship is required now in making a pair of boots than was the case three centuries ago, but more mechanical skill is needed in the management and application of machinery.

Under our second heading—Tools, Material and Time—very important considerations are included. The word tools is used in the widest sense of the word, implying not only all forms of machinery, but the factories in which they are set to work, and the ships, railways, wagons and other equipment of transport by which the raw material is brought from the place where it is grown or produced, and the finished product is carried to the consumer. These tools have not only to be provided in order that industry

46 THE CASE FOR CAPITALISM

may start, but also to be maintained in working order, and provision has to be made for their renewal when they are worn out or superseded by a new invention. Time is also a highly important element, because this need for time is one of the most striking requirements which mark the work of man as an industrial animal. The wild beast gets its food and eats it. In providing its material needs, it makes no alteration in the stuff which nature or its hunting skill provides, but consumes it then and there. It may watch for days for its prey, but having caught its hare it confines its further efforts to eating and digesting it. Man takes the goods which nature provides, and subjects them to an elaborate and often very lengthy process before he has changed them into articles which he regards as desirable for consumption. He builds ships that sail the seas for years, and railways that may last for centuries, to carry materials and goods from place to place. Nearly everything that we consume is provided for us and despatched to us with the help of work that has been done long ago, perhaps before we were born. There is then the necessity that during the process of production those who are at work on it should be fed, clothed, housed and otherwise provided for out

ESSENTIALS OF PRODUCTION 47

of some accumulated store ; because the work that they are actually doing is not yet turning out an article ready for consumption, and may only be producing articles, such as machinery or ships, that will not be consumed, in the ordinary sense of the word, but used in the processes of further production, or of distribution.

The third heading, Management, implies the precious quality of judgment concerning the purpose for which the machinery of production is set going, the organization by which it is made most efficient, and the means to be taken for disposing of the product in the market where it is most wanted and will fetch the best price. In the complications of modern industry, this is an affair requiring the highest possible skill and foresight. It is not enough to set a large number of people to work to produce an article ; the manager or designer has to do his utmost to be sure that the article as produced will be such that somebody else will want, and also to see that it is brought within the reach of the possible buyer. If it is not wanted, it will have no economic value, because nobody will give goods and services in exchange for it, and the whole process by which it has been produced will have been a waste of labour, materials and time. If the article is wanted, but those who want it do

48 THE CASE FOR CAPITALISM

not know how and where to get it, the same result occurs ; and under modern conditions the selling of an article is often a more difficult and costly business than producing it. (See *The Laws of Supply and Demand*, by G. B. Dibblee.)

This brings us to our fourth heading—Readiness to Face Failure. This risk of failure is clearly involved in any process of production ; it may happen either because, owing to faulty organization or lack of skill in applying the tools to the raw material, the process of producing the required article has failed. Again, it may happen that, though on the mechanical side the process has been entirely successful, yet, owing to a change in demand on the part of consumers, the product is not wanted. Or a miscalculation concerning the cost of making, or the price that buyers will be prepared to pay, may make the whole work unprofitable, because the article cannot be sold to the consuming public at a price which will repay the efforts of those who have put their work into its production.

Under whatever system production is carried on, these items in the bill have to be met in one form or another.

Under our present organization, No. 1,

ESSENTIALS OF PRODUCTION 49

Strength and Skill, are provided by labour in return for wages. One of the most hopeful signs of the soundness of present public feeling, in spite of hysterical symptoms on the surface, is the general recognition that hitherto—before the war—the wages of labour were on the whole inadequate and that there can and should be no return to the pre-war level. The question of the claims of the wage-earner will be dealt with in a chapter to itself.

No. 2, Tools, Material and Time, are provided by capitalists in return for interest.

No. 3, Management, by organizers and managers in return for salaries ; and

No. 4, Readiness to Face Failure, by capitalists of a venturesome type, adventurers and ordinary shareholders, in return for profits and dividends.

Labour and management are paid first ; then capital takes interest ; then the ordinary shareholder or whoever divides the balance takes what is left, if any, or goes without profit if the enterprise fails.

Payment for all four is provided by the consumer, if he consumes. If he does not, and failure is so complete that not even wages of labour and salary of management are provided by sales of the goods produced, then the

50 THE CASE FOR CAPITALISM

adventurer or shareholder has to make this gap good besides losing all his profit. The providers of Nos. 2, 3 and 4 shade into one another, and are often lumped together as capitalists. It may sometimes happen that they are all provided by the same person, who puts capital into a business by owning the factory, machinery and tools required for producing the necessary article, organizes and manages the industry, sees to the selling of the product, advances the money out of which the wage-earners are paid during the process of production, and takes upon himself the risk of the whole loss, in case of mistake or miscalculation, claiming in return for this risk the whole profit, if any, that is left over, after paying for the raw material, providing for the depreciation of tools and machinery, and paying the wages of those who work for him. Nevertheless though these things may all be done by one individual, the earnings that he finally puts into his pocket, if any, are still derived from three different sources, that is to say, interest on capital, salary for his work as organiser, and profit as reward for the risk which he has run.

It is very necessary to get these distinctions clear, because a great deal of fallacious theory

ESSENTIALS OF PRODUCTION 51

has been based upon the assumption that capital and labour are the only essentials required in production. Labour is frequently used in different senses, according to the confused and confusing habit of economists of using the same word in different meanings in different parts of their work. Adam Smith apparently used it as covering all the activities of mind and body required for production. In this sense it covers, of course, the work of the unskilled labourer, the skill of the skilled labourer, and the organizing capacity of the manager. In these days when people talk of labour they more commonly mean the labour of the weekly wage-earners, skilled and unskilled, applied to production. In this meaning of the word the claim that is often made that labour is entitled to the whole of its product is clearly an absurdity, if it means that manual labour can by itself be considered responsible for the whole of an article produced under modern conditions. If it only means that labour is entitled to all that it, by itself, produces, then, as we shall find later, labour gets all this and a great deal more.

Capital we had to divide into two classes according to the extent of the risk that

52 THE CASE FOR CAPITALISM

it takes. In fact a certain amount of risk is involved by every investment in industry. But the risk may be reduced to a negligible minimum, in the case of a first charge on the earnings of a great railway company, and may range up to a level requiring a great deal of speculative courage, or recklessness, in facing it, as in the case of the shares in a mining company or in a company formed to work a new patent or an untried industry. Capitalism has ingeniously provided different kinds of securities to suit the taste of investors and speculators. For those who want security chiefly it gives what are called mortgage bonds and debentures, investors in which are not shareholders in, but creditors of, the company which issues them. In this case, if the company is prosperous and sound the risk attached is almost *nil* and the rate of interest is accordingly low. Preference securities are a compromise, ranking behind the creditors and before the ordinary shareholders, who usually come last and take whatever profit is left after all claims on the company have been met, or pocket the loss of their profit and their capital if the company is a failure. They are thus adventurers and speculators, risking what they put into industry

ESSENTIALS OF PRODUCTION 53

on the chance of a fat reward in case of success.

It has been wittily said that the speculative investor dines well but sleeps badly, while the prudent investor, who takes low interest and little risk, sleeps well but dines badly. If there were not plenty of people prepared to take speculative risks, industrial progress would be impossible because no new venture could be tried. Capitalism is sometimes criticized because of its long tale of unsuccessful ventures. If their failure is due, as it often is, to swindling or recklessness, the criticism is sound. But in so far as it is due to genuine attempts at new ventures that fail, this failure is the price that is paid for progress. Under Capitalism this price is paid by speculators. Under the various suggested forms of Socialism it would have to be paid by the community, and there is consequently some danger that it would not be paid readily, and that therefore there would be little progress; because officials, with no incentive in the shape of profit before them, would be very shy about embarking the labour of the community, or of Guilds, in ventures whose failure would involve them in blame.

After what has been said above about the difficult task of the manager there is no need

54 THE CASE FOR CAPITALISM

to insist on the necessity for paying for his services. Business men continually complain nowadays of the difficulty of finding men with initiative and readiness to take responsibility. Under any system this need to reward good management would have to be met, or the community which failed to meet it would very soon find that it had perpetrated a bad economy.

Whatever analysis one adopts in trying to arrive at all the factors which have to be put into an article of modern consumption, it is always impossible to avoid a certain amount of confusion, owing to the complications which make one item shade into another. Perhaps we shall get a clearer vision of the matter if we imagine what might have been possible under primitive conditions of production, with one single individual providing or undertaking all the four essentials that have been enumerated above, and also being himself the consumer of the product when turned out.

In other words, we have to go back to Robinson Crusoe, and though there are very sound objections to what is called Crusoe economics, it does seem to be possible to get some clearness in that way before the problem is complicated by a considerable number of people being involved in the difficult question

ESSENTIALS OF PRODUCTION 55

of sharing the product or its price when produced. We can then imagine Robinson Crusoe on his island fishing off the rocks with a string and a hook and a bait, with more or less success, for the fish which come inshore. He then comes to the conclusion that it will be worth while for him, in order to fish more easily and quickly, to build himself a boat ; but first of all he has to consider whether the work which he will put into making the boat might not be better applied to tilling his land, and so improving its output of cereals, or into improving his bows and arrows, or any other weapons with which he goes hunting, or whether it would not on the whole be better to continue to go on as he is, and trust to the variation of his diet by the simple method of fishing off the rocks as he has done before. In other words, he has to consider whether the time and work that he is going to put into the project will repay him, whether the boat which he is going to try to build is likely to be seaworthy, and whether it will really be true that by going a little further away from the shore he will be able to increase materially his power to catch fish.

If he decides that on the whole it is worth while to carry out his design, he will have to

56 THE CASE FOR CAPITALISM

make himself the best apology he can for the necessary tools, put his boat together out of the rough planks which he is able to fashion, get his boat into the sea, himself into the boat, do his fishing and bring the fish home and eat them. He will then have applied strength and skill, will have got the raw material, made his tools, and given up his time during the passing of which he will have to be feeding himself out of accumulated stores of food. He will have taken the risk of the boat being unseaworthy, and of the fish being no more amenable a little way out from the shore, and of their being less pleasant to eat than those which he caught inshore. When a man is thus working on his own account, he is as near economic freedom as any one can expect to be in this world, who has not a store of accumulated capital to live on. He would only have to consider his own tastes and his own inclinations in organizing his economic activities; and yet we find that even in these circumstances, he is not able to free himself from any of the complications of production that have been enumerated above.

Although he knew when he started out on this project for improving his supply of fish that his desire for this form of diet was sufficiently strong to make him do the work and

give the necessary time, it is still possible that when he has done it, some change in the condition of his gastric juices, or perhaps the chance discovery of a pleasant fruit that he finds growing freely on the island, might make him much less eager for fish than he was, and may thus induce him to leave the boat to rot which he had so painfully produced at the expense of his leisure, or of economic activity, which he might have put into other enterprises. Thus even though the whole project as he thought it out was perfectly sound from his point of view, yet even the economic Crusoe, working with no one's feelings to consider but his own, cannot free himself from the possibility of failure, owing to a miscalculation of his own market. Complete freedom in an economic sense is in fact very rarely obtainable for any individual, with the exception, as we shall see, of the modern capitalist under certain unusual circumstances.

It is important that these truisms should be borne in mind, because there is a tendency in these times to blame the framework of society as it is at present constructed, for the lack of economic freedom enjoyed by the vast majority of its members. Crusoe's case has shown us that under what are called natural conditions,

58 THE CASE FOR CAPITALISM

economic freedom is almost impossible. Except in climates where food is provided by nature and clothes and shelter are unnecessary, a man must work to live. A great deal of bitterness between one class and another has been caused by the frequent use of the phrase "wage slaves," as describing the position of the manual workers who work for weekly wages. The wage slave in fact works side by side with the salaried slave, who depends upon his employers, and finally upon the public, for earning his salary, the professional slave, who depends on his patients or his pupils or his clients for his fees, and the interest slave, who depends on those who make use of the capital which he advances to industry for the earning of the interest on which he lives, and with the profit slave, who depends more precariously than any of them on the success of the project which he has financed, in earning from the public a price which will satisfy all the charges which have been put into producing it, and leave something over for him who takes the balance.

Among these various classes of "slaves," the least risk is taken by the capitalist pure and simple—that is to say, by the investor who confines himself in his choice of invest-

ESSENTIALS OF PRODUCTION 59

ments to debentures and other first-charge investments. If he is careful enough, he may for all practical purposes eliminate all risk from his investments, and so secure himself complete economic freedom, subject always to any violent change in the constitution of the economic society which might deprive him of all his property, and of all claim upon the industry which he has helped to create. Apart from this risk, we may say that the capitalist who is really cautious and careful in his selection of investments in industry from the point of view of security alone, and gives up all thought of any share in any extra prosperity in the business, may come as near as possible to securing economic freedom. But this freedom would only be attained by earning a comparatively low rate of interest on his capital, and he would still be liable to considerable variations in the actual buying-power of his income, owing to changes that might happen to the general level of prices owing to currency arrangements or failures in production. In fact, the experience of the War has shown how great is the risk to which even the "gilt-edged" investor is exposed. For it is those who had to live on fixed incomes, who have suffered most severely from the rise in

60 THE CASE FOR CAPITALISM

the prices of all that they had to buy, the great increase in direct taxation, and the great fall in the market value of their securities. But the question of the capitalist's claim to the limited but substantial economic freedom that is his, is big enough for a chapter to itself.

CHAPTER IV

THE CAPITALIST THIEF

IN the last chapter we saw that many essentials to production have to be provided under whatever system production is carried on. Among these were raw materials, machinery, equipment of all kinds, a factory and a place to carry the work out, railways, ships, etc., to carry the product to market, the food and subsistence of the workers during the time that elapses between the beginning of production and the sale of the product, and finally provision against the risk that the product when finished may not suit the views of the consumers who are asked to buy it. These essentials are provided by capital. Somebody with money in his pocket buys these things for industry instead of spending it on himself. Thus at first sight he seems fully to earn the interest and profit with which he is rewarded if, and only if, the services that he and his manager

62 THE CASE FOR CAPITALISM

render suit the views of the consuming public. It is therefore rather startling to find a considerable school of thought which appears to regard the capitalist as a thief, and the capitalist system as one of organized robbery.

In a book in favour of National Guilds called *Self-Government in Industry*, on page 235, Mr. G. D. H. Cole remarks: "To do good work for a capitalist employer is merely, if we view the situation rationally, to help a thief to steal more successfully." Other Guild champions are equally explicit. Messrs. Reckitt and Bechhofer in *The Meaning of National Guilds* allude to the "felony of Capitalism" as if it were a self-evident truism.

Mr. Cole is no street-corner spouter, but a cultured and highly-educated writer, and some time a Fellow of Magdalen College, Oxford. When such a man calmly assumes without attempting to argue the point that the capitalist is a thief, it is inevitable that many honest people who live on the interest of capital, without dreaming that they are doing anything wicked or dishonest, should feel themselves pulled up short by the question—Are we really thieves and parasites living on the labour of society without any right to the enjoyment of goods which we are consuming, and, if so,

THE CAPITALIST THIEF 63

what ought we to do? Let us look into this question.

Capital is usually described by economists as wealth devoted to production, that is to say, it consists of goods which are used not for immediate consumption, but in order to increase the productive power of the community and to earn interest or profit for those who own the capital. If a man earning £1,000 a year puts the whole of it into providing himself with comforts and luxuries which his income enables him to enjoy, he does not increase his own capital, or the productive power of the community. If he puts aside £200 or £300 a year and invests it in industry, it means to say that his wealth, instead of being immediately consumed in the form of the pleasures of foreign travel, or the possession of a motor-car, or a billiard-room, or a lawn tennis court, contributes to the erection of a factory, or the opening up of a piece of land, or of the building of a railway or of a ship, so that the productive power of mankind is increased, or transport facilities are made cheaper and better. The production to which this saved wealth is thus applied is expected to yield a revenue to those who employ it, and usually does so. If it did not, people would obviously leave off this applica-

64 THE CASE FOR CAPITALISM

tion of wealth to the furtherance of industry. But when there is a failure in production owing to some mishap by which the product has not turned out right, or does not suit the view of the consumers, the capital is lost and its owner receives no reward in the form of interest or profit.

Nowadays, though a certain amount of capital is invested by its owners in businesses which they themselves conduct, the more usual channels in which capital is placed are investments in land or in the securities of Governments and Municipalities or of Joint Stock Companies formed to carry on some enterprise. The income received by the capitalist consists of rent when the capital is placed in land, and of interest and dividends when it is placed in securities of Public Bodies or of Companies. The question then which we have to consider is this: Is the rent and interest received by capitalists from their investment in land and securities a form of robbery by which they plunder the community?

Let us take the question of rent first, though I hope to show that the difference between rent and interest is one of degree and not of essence—they are merely different forms of payment to the owners of property for the use

of it by those who need it. With regard to rent, an interesting and incisive attack on it by Mr. Bernard Shaw is to be found in the first chapter of the Fabian Essays on Socialism.

"Let us," he says, "in the manner of the political economist, trace the effects of settling a country by private property with undisturbed law and order. Figure to yourself the vast green plain of a country virgin to the spade, awaiting the advent of man. Imagine then the arrival of the first colonist, the original Adam, developed by centuries of civilization into an Adam Smith, prospecting for a suitable patch of Private Property. Adam is, as Political Economy fundamentally assumes him to be, 'on the make:' therefore he drives his spade into, and sets up his stockade around, the most fertile and favourably-situated patch he can find. . . . Other Adams come, all on the make, and therefore all sure to pre-empt patches as near as may be to the first Adam's, partly because he has chosen the best situation, partly for the pleasure of his society and conversation, and partly because where two men are assembled together there is a two-man power that is far more than double one-man power. . . . These Adams, too, bring their Cains and Abels, who do not murder one

66 THE CASE FOR CAPITALISM

another, but merely pre-empt adjacent patches," and so as the process of occupation goes on, and as new-comers still pour into the land, "there is nothing for the new-comer to pre-empt save soil of the second quality. Again, division of labour sets in amongst Adam's neighbours; and with it, of course, comes the establishment of a market for the exchange of the products of their divided labour. Now it is not well to be far afield from that market, because distance from it involves cost for roads, beasts of burden, time. . . . All this will be saved to Adam at the centre, and incurred by the new-comer at the margin," and so Mr. Shaw estimates the annual value of Adam's produce at £1,000, while the annual produce of the new-comer on the margin is £500, with equal industry on the part of Adam and the new-comers, so here is a clear advantage of £500 a year to the first comer, which is economic rent. "The two men labour equally, and yet one gets £500 a year more than the other through the superior fertility of his land and convenience of its situation. . . . Why should not Adam let his patch to the new-comer at rent of £500 a year? Since the produce will be £1,000, the new-comer will have £500 left for himself, or as much as he

can obtain by cultivating a patch of his own at the margin ; and it is pleasanter, besides, to be in the centre of society than on the outskirts of it. The new-comer will himself propose the arrangement ; and Adam may retire as an idle landlord with a perpetual pension of £500 rent. The excess of fertility in Adam's land is thenceforth recognized as rent, and paid, as it is to-day, regularly by a worker to a drone."

Mr. Shaw proceeds to a further development as inhabitants pour into the country until the outermost belt of free land is reached, upon which the yield to a man's year's labour is only £100. "Clearly now the rent of Adam's primeval patch has risen to £900, since that is the excess of its produce over what is by this time all that is to be had rent-free. But Adam has yielded up his land for £500 a year to a tenant. It is this tenant accordingly who now lets Adam's patch for £900 a year to the new-comer, who, of course, loses nothing by the bargain, since it leaves him the £100 a year with which he must be content, anyhow. Accordingly he labours on Adam's land ; raises £1,000 a year from it ; keeps £100 and pays £900 to Adam's tenant, who pays £500 to Adam, keeping £400 for himself, and thus also becoming an idle gentleman, though with a

68 THE CASE FOR CAPITALISM

somewhat smaller income than the man of older family. It has, in fact, come to this, that the private property in Adam's land is divided between three men, the first doing none of the work and getting half the produce; the second doing none of the work and getting two-fifths of the produce, and the third doing all the work and getting only one-tenth of the produce." And then, later, when the land is all filled up, there comes in a still further supply of newcomers, "a man in a strange plight—one who wanders from snow-line to sea-coast in search of land, and finds nothing that is not the property of some one else . . . the first disinherited son of Adam, . . . who is himself for the moment foodless, homeless, shiftless, superfluous and everything that turns a man into a tramp or a thrall. Yet he is . . . able to deal puissantly with land, if only he could get access to it. . . . What if the proletarian can contrive—invent—anticipate a new want—turn the land to some hitherto undreamt-of use—wrest £1,500 a year from the soil and site that only yielded £1,000 before? If he can do this, he can pay the full £1,000 rent and have an income of £500 left for himself. This is his profit—the rent of his ability—the excess of its produce over that of ordinary stupidity."

THE CAPITALIST THIEF 69

But there also come other proletarians who are no cleverer than other men, who do as much but not more than they. In the meantime, owing to division of labour, the use of tools and money and the economies of civilization, man's power of extracting wealth from Nature is greatly increased, so that the produce of land on the margin of cultivation may rise considerably; if we suppose the yield to have doubled, then the proletarian who is not clever "can very well offer to cultivate the land, subject to a payment of, for instance, £1,600 a year, leaving himself £400 a year. This will enable the last holder of the tenant right to retire as an idle gentleman, receiving a net income of £700 a year, and a gross income of £1,600, out of which he pays £900 a year rent to a landlord, who again pays to the head landlord £500."

This picture, so brilliantly drawn by Mr. Shaw, is, of course, largely fanciful. In the first place, he begins by assuming, as quoted above, a country with undisturbed law and order, and a vast green plain virgin to the spade waiting the advent of man. But in fact countries are very seldom found under these comfortable conditions. They are much more likely to be found in the possession of savage

70 THE CASE FOR CAPITALISM

owners who very strongly object to the presence of the gentleman who comes in with a spade and proposes to till them. They are also very likely to be tenanted by more or less unpleasant wild beasts, snakes and other such fauna, while they are also likely to be encumbered with thick forests which have to be cleared before tillage is possible. Such are the dangers which the original pioneer has, as a matter of fact, in most cases to face; but even if we follow Mr. Shaw's example, and leave all these unpleasantnesses out of account, the fact remains that the Adam who settles down on the best patch in the country is the pioneer who leads the way into the wilderness, forsaking the pleasant companionship of man. In Mr. Shaw's example, his arrival is followed by a large number of other people who very quickly cure this defect in his surroundings, but this by no means always happens, and it is quite possible that the original pioneer is either killed with or without torture by the natives who resent his intrusion, or is eaten by wild beasts, or, after years of struggle with the natural difficulties of his position, dies of starvation owing to the failure of his crops. If, on the contrary, things turn out as Mr. Shaw describes them, the fortunate prospector who has by a

stroke of luck, which is probably rare in actual life, found the very best piece of land in the country for his original occupation, reaps a reward from his judgment and the success with which he has overcome natural difficulties and the sacrifices which he has made in facing the dangers and hardship of life in the wilderness, far from the pleasant companionship of his fellows. That Mr. Shaw's figures are based rather on his imagination than on the facts which usually rule in a work-a-day world is a minor detail. It does not often, I imagine, happen that a tenant who is making £100 of actual profit, is paying an annual rent of £900. Enough has been said to show that, even if all were as Mr. Shaw has described it, the owner of the fortunately-situated central patch has done something to earn the rent which he derives from it, and so can hardly be classed as a parasite feeding on society, and giving nothing in return for the goods which he enjoys. And those who came after him and shared his fortune were also pioneers and adventurers who made a sacrifice and took a risk. If such men must be dubbed thieves, thieves are people who are wanted. A year or two of pioneering in a wilderness might alter Mr. Shaw's view surprisingly.

72 THE CASE FOR CAPITALISM

Mr. Ramsay Macdonald in his very interesting little book on *The Socialistic Movement*, one of the volumes of the Home University Library, gives another version of this criticism of rent as a charge on industry. On page 56, "Income from land," he says, "is not of the nature of reward for services rendered. It used to be. Land was granted by the sovereign to his captains who, in return for their possessions, rendered military service to the state, and in addition paid certain taxes, so as to provide the king—who was the embodiment of the state—with what income he required." On page 159 he says that "the type of unearned income is rent. The Socialist therefore propose to tax it, and when he is told that by doing so he is differentiating one kind of property from another, he replies that this is so, the reason being that land is differentiated from every other kind of property by its own nature. The aim of this tax is to secure the economic rent for the state, because it is the state that creates the value which economic rent represents." This is the argument on which those depend who draw this difference between rent and interest, rent being in their opinion a profit which is made by the State, and ought to belong to the State, while interest

may or may not have something to be said for it. Their argument, if I understand it right, is this, that rent being the difference in productive power between one piece of land and another, is not due to any exertions of the owner of it, apart of course from any improvements which the owner may have made, in which case they acknowledge that he is entitled to interest on the capital which he has put into it. Otherwise it is simply a gift of nature in the greater fertility of the soil, or a gift from the community which has made the land valuable by crowding in to want to live upon it, or by establishing markets in its neighbourhood, so that its produce is more cheaply and profitably sold. In other words, rent is a present that is put into the pocket of the landowner, by the needs of the community, and so is socially created.

But is it not true that nearly all wealth, including even the wages of labour, is more or less socially created, and is not this distinctive attribute of the rent of land in fact shared by most of the payments which any community makes to its members? It may be quite true that certain lucky landlords have had untold wealth heaped upon them by being fortunate possessors of pieces of ground in London and

74 THE CASE FOR CAPITALISM

Manhattan Island. In other words, they have grown rich because there was a community which wanted to enjoy and make use of a certain article of which they were possessed. But is not this also true in a greater or less degree of all of us who receive payments from our fellows in respect of work that we do, or property that we own? Owners of railways would certainly have built them in vain if there had not been a community to travel on them and to send goods over them. The barrister with a huge practice would not be able to earn his £20,000 a year if there were not a crowd of litigants with money to spend on the expensive luxury of justice. The journalist can only earn money from his pen if society has provided him with readers sufficiently educated to enjoy his views on current events. Even Mr. Charlie Chaplin would smile in vain on a desert island. The wage-earner only gets his wages because there are employers who set him to work and consumers to absorb the product which his labour helps to produce.

Any of us who criticizes any one else for the enjoyment of socially created wealth may easily cure himself of the vice of envy by wondering how much of the good things of the earth he could have himself enjoyed if he had been put

down by himself in a wilderness, with no society to create wealth for him. Nearly all wealth is in fact more or less socially created, just as it may also be said that most forms of human society are to a great extent created by wealth or the desire to possess wealth. It is in fact, as has been pointed out by Locke in his *Essay on Civilization*, for the purpose of the mutual protection of their lives and property that men originally formed themselves into civilized societies.¹

Moreover, it will be noted that Mr. Macdonald in his analysis of the origin of rent, which seems to be much closer to the actual facts of the case than the sketch produced by Mr. Shaw's brilliant imagination, shows that rent was originally earned by captains who were settled upon the land in return for military services. According to him therefore the original owners of land received it in return for services rendered in the course of military occupation. Modern opinion in its revolt against views which we now stigmatize as Prussianism or militarism may argue that this would not now be regarded as an equitable

¹ Cf. Plato, *Republic*, Book II, "A State arises out of the needs of mankind; no one is self-sufficing, but all of us have many wants."—(Jowett's translation.)

76 THE CASE FOR CAPITALISM

basis of possession. But we have no right to throw back our modern views and expect people many centuries ago to act in accordance with them. If it can be shown that those who originally acquired property did so by carrying out what was then considered to be the business and duty of a public-spirited man, then they surely earned their reward according to the views which were then current. It may be argued that when feudal tenure ceased and armies were raised by different methods, those who had held the land as a reward for military service ought to have been made to surrender it or pay rent for it to the State. But in fact all these arguments and imaginings about the origin of various forms of property, in the ages when the world was first being settled, or conquered by invading hordes who seized the property of its inhabitants, are to a great extent irrelevant.

If land were still in the hands of the descendants of the original pioneers, or, in the case of England, of the descendants of the Norman captains among whom William the Conqueror parcelled out the land, it might then possibly be worth while to enquire, in the light of equity, into the title-deeds of these gentlemen. But we know that much of this property has changed

hands since they got it and is now in the hands of people who have invested the proceeds of their labour in it, and is in fact an ordinary investment, very difficult to distinguish from an investment in Government securities or those of industrial Companies. Even in the case of the great slices of English territory, granted by King Charles the Second to the mistresses who amused his leisure, it has to be remembered that these fascinating ladies rendered a service in their time of a kind which, according to views current in those days, entitled them to any reward that the caprices of the monarch chose to shower upon them.

In all times, and still at the present, the ignorance and vice of the community, or of those members of it who happen to control claims to its wealth, have showered and continue to shower wealth upon totally unworthy objects. This is a disease which can only be cured by the education of the community to make more judicious use of its power to decide, by the choice which it exercises in consumption, as to whom it shall enrich. We cannot now go back and say that because society in the Middle Ages or at the time of the Restoration gave wealth to the wrong

78 THE CASE FOR CAPITALISM

people, we should now take it away again from their representatives, most of whom have paid for it with money earned by services rendered. But it most certainly is our business and duty to see that we do not now put riches into the hands of those who pander to our ignorance and vice. Are we putting much successful energy into this duty?

There is perhaps some difference in the power which investors in land have to charge others for the use of it as compared with that of other forms of property from which interest and profit are earned. Competition is less free and multiplication is less possible, though as the rural landowners of England found to their cost in the latter half of the nineteenth century, the development of transport, by bringing far-away wildernesses within reach for farming purposes, has extended the competing area enormously and will do so in future to an extent, perhaps, that we cannot yet imagine. Even urban land is not quite a monopoly. Owners of sites in Mayfair may seem to be able to dictate their own terms, but there is a point at which the community will refuse to pay their price and go to other abodes. Mr. Ramsay Macdonald, in the book already quoted (page 58), says that the owner of land is

"in the position of a man who holds the keys of life, and he consequently can exact a maximum toll as his price. He does so." Does he, under modern conditions, hold the keys of life any more than, for example, the coal-miner? Does not competition in each case, when it is allowed to work, come to the rescue of the consumer or tenant? If all the land were owned by one owner he might be able to exact the maximum toll. But it is not so, and competition between its owners gives a chance to those who want to hire it. And yet at the bottom of the matter the fact that land was made by nature, while all other forms of property owe something to man's effort in their production and use, makes the receivers of rent especially liable to attack when the rights of property are in question. Rent that is derived from work put into the land is of course indistinguishable from ordinary interest on capital. But when it is paid just because a site is thought to be especially desirable by the community, or because somebody else has built a railway through it or near it, the case for special taxation of the increment is strong; though that increment differs only in degree from the windfalls which are given, for example, to owners of stocks of black dress materials when

80 THE CASE FOR CAPITALISM

the Court suddenly and hurriedly goes into mourning.

If, then, even the capitalist who takes his income in the form of rent has a good deal to say for himself before he pleads guilty to the charge of robbing the community, the capitalist who earns interest and profit on other forms of investment has a still stronger case.

"Incomes," says Mr. Ramsay Macdonald (page 61), "derived from invested capital are not so easy to classify. The Ricardian dictum that all wealth is created by labour is not exactly true. It carries one much further than the statement which is true—that no wealth can be created without the service of labour. But there is much wealth which labour cannot create without the aid of capital. A man can go into the forest and tear boughs off trees with his hands for his fires, but he cannot fell trees without an axe of some kind, which is capital. Capital, therefore, has its value, a simple fact which means that under the freest economic conditions, interest will be paid. It may be interest of 5 per cent., it may be of a tenth per cent., but the utility of capital in production will always have an appreciable value which the labourer who uses it will pay without suffering exploitation or injustice. Interest is

therefore not of the nature of a monopoly toll. It is a payment for service rendered. This we may call pure interest. Risk may determine its amount, but no consideration but this can justify its existence."

Thus the troubled capitalist who is wondering whether he is really a thief will be relieved to find that he is acquitted by Mr. Ramsay Macdonald, a keen and uncompromising Socialist, of the charge made against him by Mr. Cole and the other Guildsmen. On the other hand, he is apparently condemned by Mr. Bernard Shaw in the chapter quoted above from the *Fabian Essays*. "If," he says, "a railway is required, all that is necessary is to provide subsistence for a sufficient number of labourers to construct it. If, for example, the railway requires the labour of a thousand men for five years, the cost to the proprietors of the site is the subsistence of one thousand men for five years. This subsistence is technically called capital. It is provided for by the proprietors not consuming the whole excess over wages of the produce of the labour of their other wage-workers, but setting aside enough for the subsistence of the railway makers. In this way capital can claim to be the result of saving, or, as one ingenious

P

82 THE CASE FOR CAPITALISM

apologist neatly put it, the reward of abstinence—a gleam of humour which still enlivens treatises on capital. The savers, it need hardly be said, are those who have more money than they want to spend; the abstainers are those who have less. At the end of five years the completed railway is the property of the capitalists, and the railway makers fall back into the labour market as helpless as they were before. . . . Colloquially, one property with a farm on it is said to be land yielding rent; whilst another, with a railway on it, is called capital yielding interest. But economically there is no distinction between them when they once become sources of revenue. This would be quite clearly seen if costly enterprises like a railway could be undertaken by a single landlord on his own land out of his own surplus wealth. It is the necessity of combining a number of possessors of surplus wealth . . . that modifies the terminology and external aspect of the exploitation. But the modification is not an alteration; shareholder and landlord live alike on the produce extracted from their property by the labour of the proletariat.”

Again, a variation on the same theme was produced by Ruskin in *Fors Clavigera*, when

he quotes, in the first letter, an example given in a Cambridge Manual of Political Economy of a carpenter called James who made himself a plane, so as to be able to earn more from his customers, but was then persuaded by a friend, William, to lend the plane to him for a year. William promised to give James at the end of the year a new plane exactly like the old one (for the rather surprising reason that the plane was certain to be worn out in the year), also a new plank as a compensation for the advantages of which James was to be deprived, by lending the plane instead of using it in his own business. "The plane," says Ruskin, "is the symbol of all capital, and the plank is the symbol of all interest. . . . James makes a plane, lends it to William on 1st January for a year. William gives him a plank for the loan of it, wears it out, and makes another for James, which he gives him on 31st December. On 1st January he again borrows the new one; and the arrangement is repeated continuously." This arrangement he holds up to scorn as being entirely unfair to William.

How will the ordinary capitalist feel after all this dose of condemnation? His withers will probably be unwrung. He will see that in Mr. Bernard Shaw's example the people who

84 THE CASE FOR CAPITALISM

paid workers to build a railway, to that extent refrained from frivolous and luxurious spending, and created a means of transport which was or was not of benefit to the community. If it was not, the community would not travel on it and they would lose their money. If it was, they were entitled to remuneration for the service that they provided. The "labour of the proletariat," as Mr. Shaw calls it, built the railway, under the direction which the capitalists provided or paid for, in return for the pay which the capitalists put into their hands. Were they thereby "exploited"? And would the manual workers have been as well off as they are, if no capitalists had equipped the world with railways and machinery?

As to Ruskin's example, the capitalist will see that the lender of the plane did the borrower a service by lending him a tool which would help him in his work, and was fully entitled to a reward in the shape of a plank and the return of his plane or its replacement by a new one if it had been worn out. Did Ruskin mean that he should have given the plane, which he had made to help his own work, to the borrower who wanted it to help his? If we are all to give everything to everybody else, it will be a very nice and altruistic

state of affairs, but will it not lead to industrial chaos rather than progress? Moreover, if the uncomfortable capitalist pursues his study of *Fors Clavigera* he will find on a later page that a logical but not too tactful correspondent wrote and asked Ruskin how, with his views on capital, he justified his own action in living on money left by his father, and that Ruskin's reply was most unconvincing and irrelevant. And naturally, for though the capitalist who is such by reason of his own work and saving can laugh at those who call him a thief, the inheritor of the results of his effort is not in nearly such a strong position. He knows that he did not steal his immunity from the economic problem that faces most of us, of working or else suffering penury, because it was given or left to him by some one who earned it. But he may well ask himself whether it is equitable that such a great advantage, involving such a great handicap to others, should be handed on from one generation to another. He will appease himself probably with the reflection that if property could not be passed on a great incentive to production and progress would be lost. If the venturers and organizers could not hand on their property to their heirs most of them would,

86 THE CASE FOR CAPITALISM

possibly and even probably, give less time and energy to enterprise, and there would be a clog on the wheel of the industrial chariot. But on this subject there has in the last few years been a great change in opinion, and I lately heard that a distinguished American banker had expressed a doubt as to whether he would be wise to leave his children with more than \$5,000 a year—a quite moderate income from an American point of view in these days. In any case, the inheritor may also remember that the State shows an increasing tendency to take toll on estates passing at death, and, in this country, now seizes no less than 40 per cent. of the largest properties when their owner dies. As long as it does not check enterprise and the accumulation of capital this determination of the State seems to be both equitable and expedient, and to be in the interest even of those who seem to suffer by it, but actually are thereby, and to that extent, compelled to justify their existence by their own efforts and saved from a possible life of idle boredom.

So far, then, from the capitalist being a thief, he seems to render, or represent some one who has rendered, a service to the community without which economic progress would be impossible. In fact we may say that any

THE CAPITALIST THIEF 87

one who is able to be a capitalist, by spending something on the equipment of industry, and fails to do so, checks the clock of material progress. If we are going to throw ugly words like "thief" about, we should with more justice throw them at the self-indulgent spender than at the capitalist who leaves the world richer and better equipped than he found it.

CHAPTER V

LABOUR AND ITS PRODUCT

WE have seen that under Capitalism the course of production and the question of the prices at which goods and services shall be sold is left to the decision of the average consumer, and that Capitalism is thus truly democratic in spirit as compared with the bureaucratic tyranny that would be set up by State Socialism or the Guild tyranny that the Guild Socialists would set up if ever they could arrive at a workable scheme; that the price which the consumer pays for an article has to cover payment for services rendered by labour, management, capitalists and adventurers; that the claim of capital to its interest and profit is admitted by Mr. Ramsay Macdonald to be sound, and can be shown to be so by a statement of the obvious facts about production. But the question of the share that the wage-earners are to get out of the price paid by the consumer has not yet been tackled, and it

need hardly be said that on the better solution of this problem the future of Capitalism depends. Capitalism has not only to be just and expedient, and the best system in the interests of the community. It has to show clearly that this is so and make the matter plain to a large number of doubters, who have power to wreck it if they are not convinced.

We can approach the problem from a different angle by considering a claim which has often been put forward by writers on the subject of labour and capital, namely, the right of labour to the "whole of its produce." An interesting book on this subject has been written by Dr. Anton Menger, Professor of Jurisprudence in the University of Vienna, and translated into English with an introduction by Professor Foxwell.

On page 2 of this work, Dr. Menger describes what he considers the "ideal law of property from the economic point of view." This, he says, "would be attained in a system which ensured to every labourer the whole produce of his labour, and every want as complete satisfaction as the means at disposal would allow." He observes that "our actual law of property which rests almost entirely on traditional political conditions, does not even

90 THE CASE FOR CAPITALISM

attempt the attainment of these economic ends. Originally the occupation of most countries was effected by conquest and settlement, and since then the sword has sufficiently often modified the existing distribution of property. When the State began to legislate as to rights of possession, it was generally content to sanction actual relations with a few unimportant alterations; so that it is easy to see how our property law, being the outcome of quite other than economic conceptions, seeks neither to secure to the labourer the full produce of his labour, nor to guarantee to existing wants the greatest feasible satisfaction. Our present law of property which centres in private possession does not, in the first place, guarantee to the labourer the whole product of his labour. By assigning the existing objects of wealth, and especially the instruments of production, to individuals to use at their pleasure, our law of property invests such individuals with an ascendancy, by virtue of which, without any labour of their own, they draw an unearned income which they can apply to the satisfaction of their wants. This income, for which the legally-favoured recipients return no personal equivalent to society, has been called rent by the St. Simonians; by Thomson and Marx,

surplus value. I intend to call it unearned income. The legally recognized existence of unearned income proves in itself that our law of property does not even aim at obtaining for the labourer the whole product of his industry."

Thus, Dr. Anton Menger, approaching the problem from a different point of view, seems to agree with Mr. Cole, quoted in my last chapter, that the capitalist is a thief who lives upon the work of others whom he deprives of their full reward for the work that they do. It may be noted that he admits himself that the occupation of most countries was effected by conquest and settlement, and he seems to regard neither of these forms of activity as involving any labour, or entitling those who carried them out, and their heirs who followed them, to any reward for the exertions then made. In fact, as has already been pointed out, military service was a form of labour which was called for by the community at the time when it was fashionable, and therefore seems to be just as much entitled to its reward as that of many popular novelists, popular entertainers and popular swindlers of to-day whom the demands of the public enrich to the astonishment of detached observers.

It may also be noted that the two essentials of the ideal law of property assumed by

92 THE CASE FOR CAPITALISM

Dr. Menger are hard to reconcile one with another. If every labourer is to have the whole produce of his labour, it seems to be impossible to arrange matters so that all the wants of all members of society will be as completely satisfied as the means of disposal will allow. One essential is based on the principle of reward in proportion to labour; the other on reward in proportion to "wants"—a very different matter.

Let us consider this question of the surplus value, or unearned income, of which the capitalist is accused of robbing Labour. Mr. Philip Snowden, on page 73 of his book on *Socialism and Syndicalism*, makes the following remarks on this theory. "The doctrine of surplus value, or of surplus labour as it is sometimes called, is not like a theory of value—an abstract idea. It is a concrete fact. The modern capitalist system is so highly organized and its operations are so intricate, that the unpaid value of the worker's product is often obscured, yet it can be found in concrete form by a little investigation. The existence of a rich class who do no labour is the conclusive proof of the claim that labour does not receive all that labour creates, but that a surplus over and above the wages of

LABOUR AND ITS PRODUCT 93

labour is appropriated in some way and in some form by those who do no work. But to admit the truth of the doctrine of surplus value does not involve an acceptance of the doctrine in the crude form in which it is expounded in the *Communist Manifesto*, where the idea is conveyed that manual labour is the sole producer of wealth. In his later writings, Marx seems to express that view at times, though at others he very clearly recognizes the contribution made to production by directive ability and mental capabilities." Here, then, we have a slight but very important variation of the meaning of the word "labourer," which has now been made to include the owner of directive ability.

Labour's case for better treatment, like all other good cases, is only harmed by being over-stated, and no one can pretend that the manual worker does everything which is involved by modern production. But if under the word "labour" we have to include also directive ability, is it not still a very large assumption that the owners of it and of manual skill and strength could together do everything that is needed in production? If we put a manual worker, or a thousand manual workers, with a sufficient number of possessors of

94 THE CASE FOR CAPITALISM

directive ability, down on a bare piece of ground, they could produce nothing until they had reclaimed the ground and furnished themselves with the necessary tools and equipment for production. In other words, they would have to do a great deal of work between them, the only product of which would be the ability to do more work later on more efficiently and satisfactorily. Because labour and management at the present moment cannot produce anything without the help of labour and management that has been done in the past, this labour and management that has been done in the past is provided by the capitalist who also, under modern conditions of production, earns a profit by running a risk.

Mr. Ramsay Macdonald, on page 62 of his book that I have already quoted on the *Socialist Movement*, said very truly that there is much wealth which labour cannot create without the aid of capital. "A man can go into a forest and tear boughs off trees with his hands for his fires, but he cannot fell trees without an axe of some kind, which is capital." The product of labour by itself is a miserable subsistence if without capital; that is, without the use of work done in the past—stored-up work, as we may call it. The only things that

LABOUR AND ITS PRODUCT 95

labour could produce by itself would be berries off the trees, roots out of the ground, and perhaps birds and beasts that the labourer might or might not be lucky enough to kill with his own hands. This could hardly be called production. It is simply taking what Nature provides. As soon as labour wants to produce in earnest, in the modern sense of the word, it has to provide itself with some sort of tool or weapon; that is to say, it has to work for some time without receiving any reward, in order that it may work more efficiently in the future. As soon as it has done so, it becomes a capitalist. Mr. Macdonald rightly pointed out that an axe is capital; as soon as our labourer has fashioned himself an axe, he has, in fact, become a capitalist. If he manufactures his own capital the interest on that capital then goes to himself. If he employs others with it, does he then rob those others?

Let us consider how the whole process works out by going back to the solitary man on the island whom we imagined in an earlier chapter. We saw that in order to fish more easily Crusoe made himself an axe, and then built himself a boat. He was then able to get a larger catch of fish, and so appropriated to himself the reward of his labour whenever he went fishing,

96 THE CASE FOR CAPITALISM

plus the reward of his further past labour at a time when he built the boat, and of the risk that he took of failure in making the axe and boat, and of not being able to catch any more fish when his boat was built. Let us then suppose that a fresh inhabitant, Friday, arrives on the island, and also thinks that it would be nice to eat some of the fish that are easily to be caught a little distance from the shore. Friday naturally asks Crusoe for the loan of his boat, and Crusoe makes a bargain with him under which Friday is allowed the use of the boat for a day, promising to give Crusoe a share of any fish that he may catch.

Here we have an example of a labourer apparently being robbed of part of the produce of his labour. Crusoe can sit in the sun at the door of his hut and do no work all day, on the expectation that Friday will bring him home enough fish for supper when he comes in from his day's sport, but does Crusoe really rob Friday? Friday surely is enabled by the results of Crusoe's past efforts, in making the axe and the boat, to fish much more easily than he would have been able to do if he had sat on the rock and not gone out to sea. A large part of his catch is in fact the result of Crusoe's past labour, and Friday, with this help, is able,

after paying Crusoe's share, to keep a larger supper for himself than he could have caught without it. Mr. Snowden argues that there must be surplus value or unearned income because certain people are not obliged to work. But Friday's case seems to show that labour shares in the unearned income, which is not really unearned, but earned by labour done in the past.

Then there comes another inhabitant, Saturday, who also wants the boat. How is Crusoe to decide whether he shall lend it to Friday or to Saturday? He will naturally lend it to the one who promises him the largest share of fish. Here we see him enjoying socially created wealth because the appearance of a third inhabitant has brought in the element of competition, and enabled him to secure a larger proportion of fish than he would have been able to get if the stimulus of competition had not increased the value of his boat. Nevertheless, the fact remains that the boat, which is his stored-up work, is still the basis of his claim upon a share of the work of whichever of the competitors succeeds in getting the boat. If we suppose that he lends the boat to Friday, we may then go on to assume that Saturday, being anxious for food, and not handy enough

98 THE CASE FOR CAPITALISM

to pick up a living for himself by himself, may be ready to earn a meal out of Crusoe's accumulated store of food, the proceeds of his past work, or out of the fish which he expects to get from Friday—again the proceeds of his past work—in return for a day's work which Saturday promises to do on Crusoe's wheat patch, weeding it, or digging it, or enlarging it.

Crusoe is now becoming a capitalist on a large scale, employing two workers. If, then, other inhabitants appear, Crusoe may make bargains with them to make new axes and build new boats acting under his direction, and with the advantage of the experience that he gained by his earlier efforts. He sets them to work on improving the equipment of the whole of the community, while Friday continues to work for him as a fisherman, and Saturday as a farm labourer. In the case of the later comers, when no actual stored-up work is being applied by Crusoe to their efforts, when they themselves are going to make the axes and build the boats, it would seem at first that Crusoe has no claim whatever to remuneration; but here again it will be seen that during the period in which they are doing work which will produce no result that can be immediately consumed, he will have to maintain them either

LABOUR AND ITS PRODUCT 99

out of his store of food, which is his past work, or out of the food raised under his direction by Saturday, whose work has been made more effective by past work which Crusoe had already put into the agricultural development of the island, and further that Crusoe's experience and directive ability will earn its reward in directing them in their task.

Finally, there may arrive a new-comer, Sunday, a man of real organizing ability whom Crusoe appoints to relieve him of all the directing and organizing work required by the varied business that he is now carrying on—farming, fishery and boat building—in return for a share of the food which the enterprises already founded and conducted by Crusoe are producing. Sunday is his managing director, and undertakes the task of overseeing the work of all the others, and seeing that Crusoe's share of the produce is duly paid to him. Crusoe has now become an idle capitalist living on the surplus value apparently created by those who are working for him, but actually called into being largely by his own past work, directive power, and readiness to take a risk. He can sit all day and meditate, or stroll at his ease over the island, while other people work and supply surplus value for his clothing and feeding.

100 THE CASE FOR CAPITALISM

This he has done by placing the results of his past work at the disposal of the others, so that they by working on it, and with it, can more easily earn a subsistence for themselves, providing a surplus value for him and for themselves, to the benefit of all parties concerned.

If we ask why, when once the second boat has been built, Crusoe should have any right to any extra catch of fish that is secured by its use, the answer is that by devoting the work of those who came and asked him for food in return for their labour to increasing the productive equipment of the island, he has in fact made that effort of abstinence which so much amused Mr. Bernard Shaw, as was shown by a quotation from him in a previous chapter. Instead of employing those who built the second boat upon this work, which was going to increase the food supply of the community, Crusoe might very well have turned their labour in the direction of increasing his enjoyment of comfort and luxury for the moment. He might, for example, have put one of them on to the task of singing songs to him, or telling him stories, or making faces at him just as entertainers do at a twentieth-century cinema show. He might have set them to work on making

his hut more water-tight, or on making him a new suit of clothes, or on building a Sedan chair for him, and carrying him about the island, thus relieving him of the trouble of walking, and giving him the savage counterpart of the joys of motoring. In other words, he might have turned their activities into a non-productive channel, which would have increased his enjoyment of a slothful existence but left the total output enjoyed by the rest of the community unimproved.

He also might have spent the resources that he had available for feeding his workmen on his own gluttonous enjoyment, instead of investing it in improving the equipment of the island for further production. Had he done so, he would have had what is called a "good time" for the moment, but his band of workmen would have been thrown out of employment, because he would have had nothing wherewith to pay them, and they would have to go and fend for themselves and pick up what they could in other parts of the island, either becoming capitalists themselves and building up for themselves possessions out of their own past labour, or leading a hand-to-mouth existence with a considerable chance of dying from hunger.

So far it has been easy to show a good case for the reward earned by our capitalist, Crusoe. Everything that he has earned had been either from the work of his own hands or by the efforts of other people working on his own past work, or being fed out of the proceeds of his own past work, or working under his own direction, or being fed out of the proceeds of the organization which his work and directive ability have built up. He made the original axe, and fashioned the original boat, which were the beginnings of the community's capital. Thus the "concrete fact" of the existence of surplus value on which Mr. Philip Snowden laid stress, brings us to a different conclusion from the one which he drew from it. He saw in the existence of a rich class who do no work, "conclusive proof of the claim that labour does not receive all that labour creates," echoing Dr. Anton Menger's view that under our present arrangements no attempt is made to give every labourer the whole produce of his labour. With all deference to Mr. Snowden, whose earnest and devoted work on behalf of the wage-earners all must respect, it seems to me that the existence of surplus value is proved not merely by the existence of the rich class that does no work, but also by the fact that the wage-earners secure

a standard of comfort which is very much better than the miserable and precarious subsistence which would be theirs if they were obliged to depend for a livelihood on all that they could produce without the help of capital. Surplus value is continually being produced for us by the work, management and enterprise of those who went before us. All classes share in this surplus value. A small number of rich people can live without working at all. A large number of poor people get a much better life than they could produce by their own exertions. How would the forty-seven million inhabitants of the British Isles fare if there were not a tool or a machine or a wagon or a railway in them, and not a ship to bring them goods from overseas? Most of them would be dead in a month.

Capital then is the axe or plough or store of food or of seed, and labour is the man with nothing but his hands. Capital can make nothing by itself, and the owner of it, the capitalist, can only make it productive by applying labour to it, his own or a wage-earner's. Labour by itself can only gather berries or dig up roots; in order to produce, it must fashion tools and acquire a store to keep itself during the process of production. It may be answered

104 THE CASE FOR CAPITALISM

that in fact under modern conditions of production all the machinery that is provided by capital is actually made by labour. The wage-earners build the railways, dig out and fetch the raw material, and put it through the processes that make it into machinery. But labour has done all this under direction provided by managers working for capital and paid by capital, and labour could not have done it if capital had not paid it wages out of previously accumulated stores, which capital paid for out of money that it earned or got by some service or action for which it was paid by the then existing sense of the community. Capital and labour both live to an extent that few of us realize on the exertions of those who have gone before, directed and paid for by those who had the control of industry that is given by wealth. If the owners of that wealth had spent it on immediate enjoyment instead of equipping the country with productive machinery, so as to earn a profit for themselves and their successors, the country could not have maintained a fraction of its present population, and many of those who now denounce the capitalist as an exploiter or a thief would never have been born. They owe their very existence to the alleged exploiter.

LABOUR AND ITS PRODUCT 105

These things had to be said because the wage-earner's case is not helped by being overstated, and if the wage-earner is taught to believe that he can do everything by himself he is likely to make mistakes that will cost him dear. His case is quite strong enough to stand on the facts of the matter. Without him capital can do nothing in the way of production and little in the way of selling what it produces with his help. Nothing could be more short-sighted than the view of some narrow-minded and stupid employers that it pays capital to pay low wages. Quite apart from the question of bad work owing to bad pay, this doctrine forgets that capital has to work for the consumer, and that a great majority of consumers are wage-earners and their dependents. High wages, if they do not lead to slack work and bad timekeeping, mean high buying power and a good and steady market for articles of general consumption. Every producer or handler of such articles is benefited by an increase in the pay given to the wage-earners employed by all other employers. Therefore it is clearly to the interest of industry as a whole and ultimately of his own enterprise. A busy community with well-distributed buying power is what will

106 THE CASE FOR CAPITALISM

pay us all best in the long run, as a matter of mere business, to say nothing of the political and social advantages of such a state of things. If employers think that they can secure this by keeping their wage bill as low as possible and if wage-earners think that it can be done by restricting output we shall never get there.

Nevertheless all that has been said above concerning the benefit derived by labour from work directed and paid for by capital in the past has not really disposed of the difficulty, that was touched on in the last chapter, about the advantage given to certain individuals by the institution of hereditary property. Even if the wage-earners recognize that they are much better off than they would have been if no capitalists had equipped the country for production, they still have to be convinced that it is not unfair to them that the heirs of those capitalists should take to this day so large a share of what labour and capital produce between them. The system gives those heirs the power not only to live without working but to set aside out of their share of surplus a further store of capital which increases their future claim on the product of industry. Going back to the example of our Crusoe capitalist, if we suppose that during his growth

into a capitalist he has acquired a mate and left a family, and that when he dies his youthful son, who has never done a stroke of work in his life, succeeds to the whole of the property and organization which Crusoe has built up, and that the other inhabitants of the island and their progeny are expected to work for Crusoe, Junior, on the same terms on which they worked for the original organizer, then we find ourselves faced with a claim that is much more difficult to justify. Why should this youngster, just because he is the son of a successful organizer, be supported during the rest of his existence by the labour of others with the confident expectation that he will be able to hand on to his own progeny a similar claim on the labour of the workers of the world?

We may say that hereditary property has been an essential part of every civilization worthy of the name which has been produced since the history of man has been known. But so have many things which are difficult to justify, except on the ground that having existed they must have for some inscrutable reason been necessary. A Roman or a Greek would have probably given the same answer if one had questioned the equity and justice of the institution of slavery. Moreover, landed

108 THE CASE FOR CAPITALISM

property under the feudal system only went on from father to son on payment of a substantial fee by the heir to the Crown, so that it was by no means the indefeasible right which it is now too often assumed to be. Our Chancellors of the Exchequer by imposing heavy estate duties on the passing of property on the death of an owner, recognize that property, being only transferred to those whom the owner wishes it to go to, owing to the security afforded by our modern social arrangements, has to pay this periodic toll for the right to be left by will. This toll being exacted, however, it seems to be equitable that those who get wealth by serving the community should have the right to give it in their lifetime and leave it when they die.

The justification of the system on the grounds of economic expediency is obvious. If hereditary property were abolished, and the consequence were that no one cared to earn more than he wanted to consume, the fund, out of which new railways are built, new factories and ships are placed at the disposal of industry and commerce, would be very seriously diminished. It is only by successful investments, that is by actually increasing the general output of goods and services, that capitalists can

LABOUR AND ITS PRODUCT 109

maintain and increase their claim on industry's product. And whenever they increase industry's output a large part of the price that consumers pay goes to labour. As has been shown, capital without labour is powerless to produce. The wage-earner is thus most likely to earn good wages when there are as many capitalists as possible putting new capital into industry and competing for the services of the wage-earner as a worker, and for his custom as a consumer. If labour prefers to frighten and threaten the capitalist, the latter will be scarce and shy and his capital will be scarce and dear. Moreover the responsibilities that are attached to the ownership of wealth are not always learnt by those who gain it in their own lifetimes. Bad spending, as is particularly evident at present, is a specially prevalent vice among those who have suddenly grown rich. We might cure this disease by having no rich at all, but this cure would mean the adoption of a new economic system, with dangers that will be shown when we come to examine the suggested alternatives to Capitalism.

As it is, labour gets the whole of its product and a great deal more. If it wants to get also the share of the capitalist and the

110 THE CASE FOR CAPITALISM

adventurer, it can do so by saving capital for itself and risking it in industry, so becoming its own employer and provider. "A few shillings per head from the working class would quickly raise the capital necessary to make a trial of democratic management in any industry." So says Mr. Stirling Taylor, in the *Guild State*, the latest contribution to the literature of Guild Socialism.

If the wage-earners determined to make themselves masters of industry by providing their own capital, they could gain a power that would be overwhelming. The process would be gradual and slow, but if half that we are told is true about workers who stay at home instead of going to work as soon as they have earned enough to satisfy their immediate wants, steadier work would give them a big margin for this purpose of strengthening their position. The wonderful success of the co-operative movement has shown what can be done. If labour provided its own capital, the idle capitalist with no labour to work for him would find the flank of his position most effectively turned.

Concerning the proportion of the joint product that is taken by capital, it may be interesting to quote a statement made by

LABOUR AND ITS PRODUCT 111

Sir Hugh Bell to the shareholders of the Horden Collieries, Ltd. Coal-mining being a speculative industry, capital invested in it may be expected to yield on the average a higher rate than most other enterprises. Sir Hugh, as reported in the *Times* of December 4, 1919, said :—

“While I am dealing with the position in which you find yourselves, it may interest you to know that the total amount disbursed in dividends over the whole 19 years that the company has existed is just over one million pounds—to be accurate, £1,010,000. Last year we paid in wages to men directly in our employment £1,019,000. In 19 years we have distributed £1,000,000 in dividends, and in one year we paid £1,000,000 in wages. That figure of £1,000,000 in wages corresponds exactly with the figure I have already cited on former occasions. The total amount of our outgoings last year is just under £2,000,000. The wages we have paid to our own people are, as I told you, just over a million, so that just about 50 per cent. of the total outgoing of your company goes in wages—in the form of wages, because I have to take into account the coals you supply to the men, and I also have to take into account the cottage rents,

112 THE CASE FOR CAPITALISM

which are part of the wages. If you come to examine the other items, such as stores and so on, you will find that something like the same proportionate amount has been paid in wages, so that you have paid out, directly and indirectly, for wages £1,500,000 out of £2,000,000. That is to say, you disburse 75 per cent. in wages and salaries. Out of every ton of coal you sell, one half of the selling price goes to pay wages of the men in your employment, and of the remaining half, about a like proportion is paid in wages by the persons from whom you buy your stores, etc., so that directly you pay away 50 per cent., and indirectly 25 per cent., in wages and salaries. Out of just under £2,000,000 there remains £200,000 or thereabouts as your share. You will see on how narrow a margin you are conducting your trade, and how relatively small an increase of wages would absorb all that margin and leave you with no dividend at all."

CHAPTER VI

THE ACHIEVEMENTS OF CAPITALISM

So far we have seen that the claim of the capitalist to interest on his money and profit in return for risks which he takes, is fully justified on economic grounds and in equity, and that the claim of some champions of labour that labour is entitled to the whole of its product, is more than fully satisfied, because already and as it is labour gets out of industry a great deal more than it could provide for itself if it were not supplied by capitalists with machinery, plant and organization by which its output is enormously increased.

Capitalism, then, is not based on injustice. Let us look now at the question of its practical success. A glance at the progress of mankind since the Industrial Revolution brought modern Capitalism into being, shows at once that its achievements have been enormous, one might

114 THE CASE FOR CAPITALISM

almost say miraculous. An obvious test is that of population. Dr. Shadwell, in an article on the History of Industrialism in the *Encyclopædia of Industrialism*, shows that while in the last century before private Capitalism became powerful—between 1651 and 1751—the population of Great Britain rose from 6,378,000 to 7,392,000, an increase of 1,014,000, in the next century—1751 to 1851—it rose to 21,185,000, an increase of 13,793,000, and in the next 60 years—1851 to 1911—it rose by 19,350,000 to 40,535,000. In commenting on the difference between the increase in the two centuries—1651 to 1751, and 1751 to 1851—Dr. Shadwell observes (page 304) that “the difference is not, of course, wholly due to the industrial factor; but the two go together, and the vast increase of life during the second century negatives the common assumption that Industrialism produced a state of unprecedented and increasing misery. This is emphasized by the fact that the rate of increase was highest during the first decades of the nineteenth century, when the change was proceeding at its maximum intensity. The rates of increase in England were: 1801–11, 14·50 per cent.; 1811–21, 18·05 per cent.; 1821–31, 16·24 per cent.;

ACHIEVEMENTS OF CAPITALISM 115

1831-41, 14·58 per cent. These rates have only been approached in one subsequent decade—that of 1871-81—which included several years of the highest prosperity on record, when the rate was 14·5 per cent. The rising tide of vitality revealed by statistics is in keeping with the observations of the French traveller Louis Simond, quoted by Professor Smart, in 1810-11: 'I have found the great mass of the people richer, happier, and more respectable than any other with which I am acquainted.'"

Increase of population is not, of course, a wholly satisfactory test by itself. It is, in fact, maintained by some Malthusians that increase of population is a sign of a low state of civilization, and a low standard of comfort, and this contention is to some extent supported by the well-known fact that the birth-rate shows a tendency to decline among those classes whose circumstances are most comfortable and whose standard of life is highest. Nevertheless it is something for Capitalism to claim that it has enabled so enormous an increase to take place in the population of the country, in which modern Capitalism and the modern Industrial system first opened their keen young eyes,

116 THE CASE FOR CAPITALISM

and have carried out their most characteristic development. Merely to enable so large a number of people to be alive is not everything, but it is a great deal. Under Capitalism all these millions saw the light of the sun, smelt the scent of spring, knew love and friendship, made and laughed at good and bad jokes, ate and digested their meals, made their queer guesses at the secret of life, played games, read books, cherished their hobbies and their prejudices, knew a little, thought they knew much more, and went their way leaving others behind them to take up the thread of life and spin another strip of its mysterious cloth.

If life is on the whole a good thing—and most of us waste little time in sending for a doctor if we do not feel well—Capitalism has made the enjoyment of that good possible to millions. And all the time during which that huge increase in our population was growing we were pouring out a stream of emigrants to fill and till the waste places of the earth, and sending them capital to help them to increase production there. Thus Capitalism has bred millions of active, busy men and women, spread them over the world, reclaimed its waste places and increased its output so fast that, as we shall see,

ACHIEVEMENTS OF CAPITALISM 117

the increased population has increased its command of goods even more rapidly than its numbers. All this has to be chalked up to Capitalism's credit and considered carefully before, just because it has not created an earthly Paradise for us, we throw it down and put an untried system in its place. It is true that part of our population has lived and continues to live under circumstances of which our civilization has every reason to be ashamed. But even in their case the gift of life is something, and social reformers are rather apt to forget, in their eagerness to put right the evils which beset the destitute among us, that the greater part of our population leads and has led lives, which though far from being ideal from an economic or any other point of view, have taken them through the world in a state of fair contentment, and with a reasonable and growing share in the gifts which science has placed at man's disposal. Industrial and scientific progress in the control of the forces of nature, has proceeded with astonishing rapidity throughout this period of production under Capitalism.

It may be argued that science and invention have done the real work, and that Capitalism has only picked their brains, applying their

118 THE CASE FOR CAPITALISM

lessons purely with the view to making profit out of them, and so has wrested the gifts of science from their true use and prevented their being enjoyed in full freedom by the whole of mankind. This may be so, but, on the other hand, science could never have wrought its miracles if there had not been a vast store of accumulated wealth to apply to the development of its discoveries. This accumulated wealth might perhaps have been produced by a system of society organized collectively, under which the Government would have seen the goals towards which science was struggling, and placed at its disposal an army of workers who were capable of carrying out its objects. But it is at least as likely that no Government which the world has yet known would have made use of the services of science with the readiness, adaptability and courage in taking risks, that have been shown by the organizers of industry spurred by the incentive of profit-making.

Whatever those people may think who like to amuse themselves with the pleasant science of hypothetics, that is to say, of wondering what might have happened if things had been otherwise, the fact remains that the material

ACHIEVEMENTS OF CAPITALISM 119

achievements under Capitalism have been enormous, and promise still greater miracles if we follow the same line. The world has been covered with a network of railways, and the shores of its various continents have been linked together by steamships of enormous power. Factories and machinery have been developed and improved with incredible speed. Telegraphs and telephones have made the whole world into one great listening gallery, and the exchange of goods and the communication of thought between one country and another are being continually developed in a manner which only shows what great possibilities still lie before us. The material output has grown at a staggering pace, and the British workman of to-day has his life embellished and made comfortable by the products of all the climates of the world, from tea to tobacco, with a freedom which would have been envied by many a mediaeval monarch. At the same time if there are terrible inequalities in the distribution of this wealth, if many at the bottom of the economic ladder lead lives of misery, owing to a lack of the good things of the earth, and many at the top lead lives of boredom owing to a surplus of luxurious enjoyment, it is possible to climb

from the lowest rung of the ladder to the highest. We cannot claim that the "career is open to talent," or that there is anything like a fair chance for all in the race for the good things of life; this is an ideal for which we have to work by improving and cheapening education. Talent backed by individual enterprise in any case seems likely to have a better chance under Capitalism than under bureaucratic red-tape or Guild monopoly; and any one with exceptional ability and exceptional luck, or both, can already make his way through from the bottom to the top early enough in life to give him many years of enjoyment of his success.

Our output of goods is still not nearly great enough, being estimated before the war at about £42 per head of the population. Even if it were equally distributed, £42 worth of goods and services would not, even at pre-war prices, ensure a really high standard of comfort for the population as a whole. This need for an improvement in output we saw at the outset to be essential in order to secure that world in which it will be really pleasant to live. But because Capitalism has not yet produced as much as we want, is a bad reason for overturning it in favour of a system that might produce still

ACHIEVEMENTS OF CAPITALISM 121

less, when it is clear that capitalistic production can, if it is given a fair chance, do much better for us in the future as it learns and applies its lessons.

Industrial and agricultural development had also been assisted by an extremely ingenious financial machinery, and a great growth and improvement in banking, which provided credit and currency for the community with remarkable success ; during the last half century before the war, the financial machinery was perfecting itself into a state of extraordinary elasticity and adaptability, and meeting with steadily growing composure the industrial crises which the speculative habits of man, and the risks inevitable from our present industrial system, necessarily produced. A machinery of investment and a market in the debts and securities of public bodies and public companies, had also been developed with great ingenuity by the Stock Exchanges of the world. Whoever wanted to borrow money and invest it in industry found ready listeners—only too ready in some cases—whether they applied to the banks for short credits, or to the investing public for permanent investments, or invited speculators to try their luck. Capital flowed with wonderful

122 THE CASE FOR CAPITALISM

readiness from one country to another, and wherever there was a chance of devoting the proceeds of the labour and work of old countries to the development of new ones, in the hope of increasing mankind's output, and so gaining fresh profits, there was no lack of those who would risk their past and present labour and work on this process of continually expanding man's conquest over nature.

All classes had shared in the benefits produced by this expansion. Mr. Philip Snowden admits on page 38 of his book on *Socialism and Syndicalism*, that "between 1850 and 1900 the rate of wages as shown by Board of Trade index numbers, rose by 78 per cent., and in the same period the prices of commodities fell by 11 per cent." He adds that "it is not safe to take these figures upon their face value. The increase of wages was by no means spread uniformly over the whole wage-earning class, nor does a fall in the average of wholesale prices necessarily mean a corresponding reduction in the cost of living to the working classes. The fall in prices in the last half of the nineteenth century was mainly in comforts and luxuries. Many of the articles which enter into the economy of the workers increased

ACHIEVEMENTS OF CAPITALISM 123

in price. Milk, eggs, butter, coal and rent were all higher in price at the end than at the middle of the last century." On the other hand we may fairly urge that comforts and luxuries, such as tea, sugar, tobacco and meat, not to mention necessities such as bread, also entered largely into the economy of the workers.

When we find that during a half-century in which the population had increased rapidly, the average money wages of the workers had grown by more than three-quarters, while the average price of the goods they consumed showed a by no means negligible decline, we see what little basis there is for what Marx and other people have called the "iron law of wages," an entirely imaginary law, which is alleged to force the rate of wages always down to the level of subsistence. If there had been any real truth in this law, it would have been clearly impossible for wages to rise by 78 per cent. with a rapid increase in the number of wage-earners, while at the same time the average price of consumable goods had fallen by 11 per cent. Under the circumstances, and in view of his own figures, it is surprising to find Mr. Snowden saying on a later page (120) that

124 THE CASE FOR CAPITALISM

"like the landlord who takes in the form of rent all above the subsistence of the labourer, so the capitalist takes all above the subsistence of the workman, above sufficient to maintain the workman in the standard of life of the class to which he belongs." How Mr. Snowden's clear and logical mind reconciles this assertion with the figures that we have quoted from him, is a puzzle that would baffle the Sphinx.

It has to be admitted that the great and steady improvement that was then shown gave way to the opposite tendency in the early years of the present century. Mr. Snowden continues on page 39: "After all, the important matter is not whether the condition of the workers improved between 1850 and 1900, but whether it is showing a tendency to improvement now." (His book was published shortly before the war.) "About the end of the century we seemed to enter upon a new cycle of tendencies. The previous slight (*sic*) upward movement in the condition of the workers was arrested and eventually reversed. The permanent tendency now is for the rich to grow richer at an increasingly rapid rate, and for the workers to become not only relatively but actually poorer."

ACHIEVEMENTS OF CAPITALISM 125

Mr. Snowden is undoubtedly right in calling attention to a check, which showed itself at the beginning of the twentieth century, in the improvement of the position of the wage-earner. Wages rose little or not at all in money, and prices were rising. Whether he was right in assuming that the tendency was a permanent one, we shall never know, because the war intervened, upsetting the whole economic basis of society, and giving the workers a chance of sustained improvement, of which there is every reason to hope they will take full advantage; but it is at least possible that Mr. Snowden was wrong in assuming that the tendency for the buying power of wages to go back was permanent. It might have been merely the falling back of a wave in a rising tide, to have been followed by a still more rapid improvement, thanks to the determination shown by the wage-earners in the year before the war, to take drastic measures to improve their position. However this may have been, there can be no doubt that under the system of Capitalism the wage-earners did during the whole second half of the past century achieve a great and almost unbroken improvement in their lot, an improvement which was

126 THE CASE FOR CAPITALISM

encouraging them to make still greater efforts for themselves in the future.¹

During the same period we had seen great improvements in education and sanitation, the lengthening of human life, the total extinction of the plagues which used to scourge Europe periodically, the practical abolition of certain diseases such as typhus and small-pox; and the general attention to health and the mental improvement of all classes, though it still left very much to be desired, was making progress which was perhaps as rapid as could be expected, owing to the ignorance and conservatism which are the common lot and the pride of most of us.

It may be true that Capitalism has had very little to do directly with these improve-

¹ Professor Bowley in an article on "Wages" in the *Encyclopædia of Industrialism* says (page 514): "It appears certain that nominal and real wages increased from 1850 to 1874, that nominal wages fell and real wages remained steady from 1874 to 1880, that nominal wages remained steady and real wages rose from 1880 to 1887, and that both nominal and real wages rose from 1887 to 1899. . . . By 1910 real wages were back at the level of 1896-1898, but cannot be measured exactly." By real wages the Professor of course means wages as measured in actual buying power, as compared with nominal wages, measured in money alone.

ACHIEVEMENTS OF CAPITALISM 127

ments in education and sanitation. There is even something to be said for the view that the representatives of the property-owning classes had done a good deal to resist the progress of these improvements, which had only been carried through by social reformers and a few scientific enthusiasts, after lives of thankless effort. This may be so, but nevertheless the store of wealth which was necessary in order to carry them out had been called into being by the working of Capitalism with the incentive of profit before it. It may not have been responsible for the excellent use thus made of its wealth, but it did at least provide the wealth which was so used by those who had nobler views than it of the use to which wealth should be put.

Such were the achievements of Capitalism in the land of its birth in its modern form and in the countries into which this land poured the men and capital that it produced. Its victories, unlike those other institutions that have dominated human life, could only be won by doing what somebody else wants. Industry and investment can only earn a profit if they produce an article or a service that somebody wants and wants enough to repay the adventurer

128 THE CASE FOR CAPITALISM

his outlay, make good the depreciation of his tools and leave him a profit. He may sometimes win his victory at the expense of those whom he has underpaid, or in some rare cases by barbarous ill-treatment of natives whom he has enslaved, overworked and even tortured. But whenever a profit was made it could only be done by providing some one with something that he wanted or thought that he wanted. Capitalism working through competition and freedom must please the consumer to prosper, and the consumer is the mass of humanity. From this point of view its achievements, smirched and blotted as they are about the hinder parts, are sweet and cleanly as compared with those of diplomacy which have drenched the world in blood, or of churches that have used the torch of God's Word to light holocausts of good earnest people who differed slightly with them concerning their belief in Him.

Capitalism incidentally was working for peace though it is commonly accused of being the ally if not the father of Militarism. Seeing that the pages of history were black with Militarism long before Capitalism in its modern form was heard of, to make the latter the father

ACHIEVEMENTS OF CAPITALISM 129

of the former indicates an almost desperate search for a stick to lay on its back. It is true enough that Militarism could not have achieved a fraction of its destructive power if Capitalism had not provided the machinery and weapons. "What d'ye lack?" is Capitalism's cry, and when humanity said, "Weapons for killing one another, and see that they kill by heaps," Capitalism delivered the goods with a vengeance. If humanity will only ask for something more sensible, Capitalism, ever democratic and accommodating and anxious to please a customer, will oblige with equal readiness and success. Capitalism fears and dislikes war, because war means destruction, taxation, unrest and lack of confidence, and Capitalism knows that though it may seem to make big profits out of destruction it will pay heavily for them before the account is closed, and that it can only earn a good living out of prosperity and peace and progress. While some have accused it of fomenting war, others with a truer instinct have denounced International Finance as an incurable and incorrigible Pacifist.

And yet, when war came and there was no help for it, the men who had been born and bred under Capitalism turned out and fought

130 THE CASE FOR CAPITALISM

with a heroism that has never been approached by the Paladins and Knights Errant of the days before we had been turned into shopkeepers and demoralized by profit-seeking. All who had watched industrial development and its effects in making us sleek and sedentary townsmen must have wondered whether the process would not soften us into folk who could not stand the test of battle. Yet all the battles that had ever been fought before were child's play to the Hell that both sides lately rained on one another for four-and-a-half years, and the nation of shopkeepers was in her old place in the front row, wherever the fighting was hottest by sea and land.

Says the critic, "There may be some truth in all this, but what of the disgusting ugliness and squalor that Capitalism has brought with it—lovely countrysides covered with sordid filthy towns that are a blot on their beauty, and men with their hearts still more foully smirched by scamped work and the scramble of competition?" This is a criticism that cannot be altogether gainsaid, but it is possible to exaggerate it, by imagining too rosy a picture of the system that Capitalism superseded. Capitalism committed crimes in its early days

ACHIEVEMENTS OF CAPITALISM 131

when it put young children to work for wickedly long hours under disgraceful conditions, and is now being punished by the natural bitterness of their descendants who see no cure for it but its destruction. But these evils have been largely cured and their remnants are being dealt with. Short-sighted Capitalism has often opposed reforming measures, but some good employers have worked for them. On the general charge of ugliness and deterioration the argument is not all on one side. Doctor A. Shadwell, an exceptionally well-informed authority on working-class conditions, published an article on this subject called "Town Life—Old and New," in the *Edinburgh Review* of January 1918. It is well worth study in detail and it may be hoped that Dr. Shadwell will develop the contrast on a larger scale. The following extracts will have to suffice for our present purpose :—

"The idea of a Golden Age is indestructible. Man will have his Golden Age when all the world was young and fair. He finds it by a comparison which sets the credit account of the past over against the debit account of the present. It is a false balance-sheet. The true account stands otherwise ; it includes debit

132 THE CASE FOR CAPITALISM

items against the past and credit items in favour of the present, and when the net balance is struck the result is very different. And so it is with this question of town life and town labour ; a distorted and one-sided account has been put forward in order to make out a case. . . .

“ Mills employing a number of workmen are mentioned at the beginning of the fourteenth century ; journeymen formed a standing class and used to go on strike. But the scale of employment inaugurated in the eighteenth century amounted to a difference in kind, and the development of mechanical power made a still greater innovation.

“ Both changes were attended by great evils, due to three main causes : (1) the rapidity of the development ; (2) general ignorance and failure to understand the conditions ; (3) the abuse of power by employers. The rapid development of industry on a large scale caused a corresponding hurried accumulation of persons in particular places in a haphazard way. . . . A slower pace would have resulted in a more organic growth, but the prevailing ignorance and indifference would have produced similar conditions in the end or rather worse ones.

ACHIEVEMENTS OF CAPITALISM 133

Mr. and Mrs. Hammond¹ go so far as to admit that 'the old English towns were often over-crowded, insanitary, etc.' That does not meet the case at all. The old towns everywhere were not 'often,' but always, insanitary to a degree which it is difficult to realize now. They never were anything else, because there was no sanitation, as we understand it. Sanitation was, in fact, the child of the new order : not because the evils were new, as is commonly supposed, but because they were recognized. The increase of population and growth of the towns presented them on a scale which compelled investigation in conformity with the advance of knowledge and the rising standard of living. It is important to understand this. . . .

"As to housing, we have Erasmus's description of the ordinary abode of the poorer classes in Henry the Eighth's time. It was a cabin of wood and clay, consisting of a single room, shared by all the inmates for all purposes and also by animals ; no chimney ; the floor of beaten earth, strewn with rushes, which were renewed every two or three years, and meantime received all the refuse and filth both

¹ Dr. Shadwell's article is, among other things, a review of Mr. and Mrs. Hammond's book, *The Town Labourer*.

134 THE CASE FOR CAPITALISM

human and animal. This type of dwelling is not yet extinct. . . . In the middle ages, which are held up to our admiration, it was the only type for the working classes. . . . From time to time complaints were made of over-building in London, and houses were pulled down; and attempts were made to clear the streams and ditches, which were blocked with filth, dead animals, offal, and every kind of refuse. . . .

"We get a glimpse into mediaeval habits from the minute inventory of Sir John Fastolf's furniture at Caister Castle, one of the most sumptuous mansions in the kingdom. Out of twenty-six bedrooms only one—my lady's chamber—had any washing utensils, to wit—'1 basyn, 1 ewer, 2 pottys.' All the world lived in a state of indescribable filth down to a much later period. False generalizations are drawn from the beautiful buildings which have come down to us from old times. They have survived because they were exceptional; the common mass have perished. People who do not remember conditions thirty or forty years ago do not know what a real slum is. . . . The plain truth is that the old towns were nothing but slums—such as one cannot find now.

ACHIEVEMENTS OF CAPITALISM 135

Kings and nobles lived in a state of stench which would be thought unendurable to-day by any class, so greatly has the standard changed. . . .

“The same consideration of the prevailing standard applies to working conditions as well as to housing and sanitation under the new order. . . .

“The alliance of ignorance or stupidity with commercial greed runs through the whole story, and it is clear that the former was the greater obstacle of the two to improvement. Intelligent employers were the first to see what was wrong and to readjust their ideas. They introduced new standards, which gradually gained approval until public opinion sanctioned or demanded their compulsory application. In this process a powerful agent was combination among workmen, which was at once demanded and rendered possible by the conditions of work and the massing of large numbers together in the industrial towns. The same process has continued ever since, and is still going on with a progressively rising standard of living and working conditions, realized in a thousand ways, the mere enumeration of which would occupy pages. . . .

"The stranger with different ideals in his mind may see nothing but what is repellent in the modern industrial town, and wonder how any one can live there. But the inhabitants do not think so; they are attached to it, warmly maintain its claims, and resent depreciation. They do not want any one's pity, and they have reason; for the truth is that they enjoy life a great deal more than those who pity them. . . . Nor is it true that they take no pride or interest in the products of their great workshops and factories, such as the mediaeval craftsman took in his handiwork. Here again a false balance is struck. The mediaeval craftsman who took pride in his work is the one we hear of, but what of the others? Were there no idle apprentices? Was there no bad work? There was so much that one of the chief functions of the Guilds was to prevent and punish it and to maintain the standard, which was always being threatened by scamped and dishonest work. As for the theory that the men of old worked for use and beauty, not for profit, there never was a greater craftsman than Benvenuto Cellini, or one who took more pride in his work and its beauty. Nor is there a workman to-day who looks

ACHIEVEMENTS OF CAPITALISM 137

more keenly after his wages and pockets them with more satisfaction than Cellini did the price of his masterpieces. On the other hand, there is to-day a great deal of pride among workmen in the products of their factory, in its good name, and in the reputation of the whole town for the quality of its manufactures. Those who do not know this have never been among them.

"In conclusion these observations must not be taken to suggest acquiescence in existing evils or denial of the need of improvement. The standard is always rising and there is no finality. But truth is not served by false balance-sheets, selected evidence, and one-sided statements."

Thus the Middle Ages give us Beauty, complicated by stench and the Black Death. Capitalism has provided an enormously greater output, better sanitation and better houses but has not yet given much thought to Beauty. It is an oversight of great importance, but it can be repaired.

CHAPTER VII

THE RISKS OF STATE SOCIALISM

ONE of the strongest points in the case for Capitalism is the doubt that all candid and unprejudiced inquirers must feel concerning the practical results of adopting any of the proposed alternatives. And on this subject doubt is enough. Unless we can be definitely assured that we are going to secure improvement it would be madness to upset our whole economic system, especially at a time when the whole world is lacerated and impoverished and has to work hard for its economic recovery. If and when general prosperity has been secured, we may be justified in trying fancy experiments. But there never was a time in which leaps in the dark were more untimely. Let us begin with Socialism, now commonly called State Socialism to distinguish it from the Guild Socialism which is the latest fashion. Some of us can remember the time when

RISKS OF STATE SOCIALISM 139

Socialists were looked upon almost as outcasts by "respectable" folk, partly because some of them had a habit of applying the acid of their criticisms to many things besides the economic structure of society, such as the marriage laws and established forms of religion. So stuffy respectability jumped hastily to the conclusion that all Socialists were atheists and advocates of free love. After passing through this phase Socialism became quite fashionable for a time, and then having been laughed at as a discredited back-number by the Guildsmen, has come back into the limelight owing to the craving for nationalization which is cherished by many of the Labour leaders.

If we find that the form of society at which Socialists aim is somewhat hazy and not worked out in full detail, it would be very unfair therefore to criticise Socialism as mere rainbow chasing. They propose to rebuild society, and we cannot expect them to prepare for us a plan of the whole building worked out in every detail. The details will obviously have to be filled in as the building goes on. All that we can expect from them is a clear statement of the main principles which they aim at establishing, and the advantages which they

expect to be derived from their establishment. Luckily one of the clearest thinkers on the Socialist side published just before the war a compact handbook showing the aims of Socialism, the reasons why in his opinion it ought to be introduced, and the benefits which he expected to accrue from it. Mr. Philip Snowden's book on *Socialism and Syndicalism*, though there is no date upon the title-page, seems to have appeared in 1913 or later, since it contains a reference to the election of the German Reichstag in 1912. This authority tells us (page 107) that "so far as it is possible to express the aim of present-day Socialism in a formula, that has been done by Dr. Schäffle in a statement which will be accepted by all Socialists as a reasonable definition of their aims. 'The economic quintessence of the Socialistic programme, the real aim of the international movement is as follows:—To replace the system of private capital (*i.e.* the speculative method of production, regulated on behalf of society only by the free competition of private enterprises) by a system of collective capital, that is, by a method of production which would introduce a unified (social or collective) organization of national labour, on

RISKS OF STATE SOCIALISM 141

the basis of collective or common ownership of the means of production by all the members of the society. This collective method of production would remove the present competitive system, by placing under official administration such departments of production as can be managed collectively (socially or co-operatively), as well as the distribution among all of the common produce of all, according to the amount and social utility of the productive labour of each.'"

It will be noted that according to Schäffle's definition, adopted by Mr. Snowden, and accepted, according to him, by all Socialists, the common produce of all is to be distributed under official administration according to the amount and social utility of the productive labour of each. It appears from this passage that the wage-earner under Socialism is going to be paid according to the amount and social utility, whatever that may mean, of the work which he does. This very important item in the Socialist programme is also adopted and clearly expressed by Mr. Ramsay Macdonald on pages 122 and 123 of his book on *The Socialist Movement*, one of the volumes of the Home University series. Mr. Macdonald tells

us that it is a mistake to confuse Socialism with Communism.

"Communism presupposes a common store of wealth which is to be drawn upon by the individual consumer not in accordance with services rendered, but in response to 'a human right to sustenance.' It may be in accordance with Communist principles to make this right to consume depend upon the duty of helping to produce, and to exile from the economic community every one who declines to fulfil that duty. Some Communists insist that one of the certain results of their system will be the creation of so much moral robustness that in practice this question will never arise for actual answer. But be that as it may, the distributive philosophy of Communism is as I have stated, and it contains the difference between that system and Socialism. 'From all according to their ability; to each according to his needs' is a Communist, not a Socialist formula. The Socialist would insert 'services' for 'needs.' They both agree about the common stock; they disagree regarding the nature of what should be the effective claim of the individual to share in it. Socialists think of distribution through the channels of personal income;

RISKS OF STATE SOCIALISM 143

Communists think of distribution through the channels of human rights to live. Hence Socialism requires some medium of exchange whether it is pounds sterling or labour notes ; Communism requires no such medium of exchange. The difference can best be illustrated if we remember the difference between a customer going to a grocer and buying sugar, and the child of the family claiming a share of that sugar the next morning at the breakfast table. Or the position may be stated in this way : Socialism accepts the idea of income, subject to two safeguards. It must be adequate to afford a satisfactory standard of life, and it must represent services given and not merely a power to exploit the labour of others."

It thus appears that the economic freedom which modern reformers are groping after will be under Socialism different only in kind from the economic freedom which is nowadays possessed. In this respect a difference in kind may be of the highest possible importance, because we have already recognized that complete economic freedom is impossible to anybody in a state of nature, since under natural conditions everybody must do more or less work in order to live, and is impossible to the

great majority under society as at present organized. As things are at present, all the workers of the world have to work in order to provide something which the consuming public wants, generally under the management of an employer who organizes the particular enterprise in which that work is done, with the exception of a few professional men who work directly for their consuming customers. The wage-earner works under an employer in a factory, mine or railway for the consuming public; the journalist works under a newspaper proprietor for a reading public. The variety entertainment artist works under a theatrical or music-hall proprietor for the public that is trying to amuse itself. The author works under a publishing employer for a public which he hopes may be going to read his books. Under Socialism, instead of working under a proprietor employer for the consuming public, the worker would work under official administrators for the consuming public.

But there would be two great differences. Under official administration the consuming public would have to take what it could get, since owing to the abolition of competition, it would have no chance of exercising choice in the

matter of goods and services which it would consume ; and the worker, instead of working to put profit into the pockets of a proprietor employer, would be working to supply the general consumption, as organized, directed and controlled by official administrators.

He would have no more freedom, in fact he would have less, because owing to the cessation of competition and the concentration of the whole organization of industry in official hands, he would have no power of exercising choice between one employer and another. Nevertheless it is possible that the fact that he is working for the general consumer, without the intervention of a profit-making capitalist, might give him a feeling of satisfaction which would very much more than balance his loss of choice between one employer and another ; while at the same time the fact that the official administration would, by a democratic organization of society, be to a certain extent based upon the wishes and ideals of himself and his fellows, might enable him to believe that he was really only working for himself, and therefore give him that sense of freedom which is nearly as good as its actual possession.

The Socialistic artisan working in a State

146 THE CASE FOR CAPITALISM

boot factory would no longer be dissatisfied because the harder he worked the more profit he was going to put into the pocket of his employer, without doing any good to himself, unless he were able to secure an increase in wages. He might feel that the harder he worked the more boots he would be turning out for the benefit of the other members of society, and that his efforts would be compensated by similar efforts being made by all his brethren who were working in other industries for the good of himself and other consumers. If he had not attained economic freedom, which is impossible for humanity until we have arrived at the point when all the needs of life can be served by automatic machinery, he might have arrived at a state of things in which the conditions of his work were so entirely different from what they are at present, that he would work hard for the joy of the thing, because he knew that he was helping everybody else, and that everybody else was working hard to help him. If such a state of things could really be brought about, it is clear that the gain would be enormous. Instead of restricting output so as not to "use up the amount of work that wants doing," every worker would work as hard as he

could. He would welcome the introduction of labour-saving machinery, because it would lighten his task and that of everybody else, and it might quite possibly be true that the different spirit in which industry would be managed might lead to a very great increase in output.

All this looks very nice, but would it be likely to happen? We have seen, according to Mr. Snowden, workers would be paid, under Socialism, according to the amount and social utility of the productive labour of each. This clearly implies a differential scale of wages, based on piece-work in order to gauge the amount, and on the decision of somebody, or some Committee, concerning the social utility of the labour of each. It may be that the strong prejudice against piece-work, now commonly said to be cherished by trade unionists, might not survive under Socialism, but this is by no means certain. The differential scale according to the amount of work done, would involve difficulties of measurement and would very probably produce jealousy and friction, and the question of social utility seems to open up endless possibilities of dispute and differences. If we could be sure that, as many Socialists seem to assume, a radical change in

148 THE CASE FOR CAPITALISM

the nature of all of us would be wrought in the twinkling of an eye because we found ourselves members of a Socialist State, those details might not lead to disaster. But *natura nihil facit per saltum*—nature does nothing with a jump. For some time to come we should continue to be human beings—"most remarkable like you" and me—and it is only too probable that the jealousy between one Trade Union and another, which is so often a cause of industrial strife and discord, might be renewed, under Socialism, in the shape of acute differences between the workers on the question of the wages paid to themselves and others. With the best goodwill in the world of all parties the problem of social utility as between the work of a coal-miner, a bootmaker and a platelayer, would be hard to settle; and if instead of a universal smile of goodwill there were the old natural desire on the part of each man to do the best for himself, the industrial strife of to-day might be reproduced on an extended and much more uncomfortable scale.

Because under Socialism there would be no mediator in the shape of the State or public opinion. The State would be the employer and a party in the quarrel, and nearly all the

public would be liable at any time to be directly interested in similar disputes and so would be unable to approach them with the detachment which is so necessary to impartiality. Mr. Snowden, following Schäffle, does not propose that all private enterprises shall be abolished under Socialism, but he does, as will be shown later, lay down conditions which seem most likely to abolish it. So that whenever there is a quarrel between any workers and the State, all the other workers who, with their dependents, will be all the community except the ruling bureaucrats, will feel that it might be their turn next.

But even if all these difficulties were overcome and the workers worked with an enthusiasm and success that profit-making employers have so far failed to secure from their efforts, we are still faced by the very serious doubt as to the efficiency of official management. Ready work by the rank and file is of little or no use if it is ill directed, and if those responsible for leadership are not always eager to adopt new methods and to take risks by trying experiments which may cost them, or somebody else, dear in case of failure. We have to remember that in order to make the world that we want, a

150 THE CASE FOR CAPITALISM

great increase in output, as was shown in Chapter I, is necessary. If every man, woman and child in the country is to have a real chance of a real life, it is not enough to do about as well as we did, with a power of consumption measured at about £42 (pre-war) per head of the population, according to the highest estimate. We have to go ahead rapidly. Are we as likely to do so under bureaucratic management as under private enterprise, with the incentive of profit before it, tempting and spurring it to make experiments and take risks? Are we not much more likely to fall into a slough in which movement is much more difficult because those who would have to initiate new departures would get little or no reward if they succeeded, but would be liable to criticism and blame if they failed?

Those who oppose nationalization of industry on this ground, that it would be most unlikely to secure the adaptability and enterprise that are necessary to progress, are sometimes accused of "attacking Government officials." I hope that as far as I am concerned there is no truth in this charge. Having had the honour of being, for a short time, a Government official, I can testify from personal knowledge to the

RISKS OF STATE SOCIALISM 151

great store of ability that is to be found in our Government offices—this goes without saying, seeing that the intellectual flower of our University youths used to go year by year into the Civil Service—and also to the devotion with which, at least during the war, they overworked themselves into pulp. In the matter of ability and hard work our officials are unsurpassed if not unrivalled. And yet, owing to some fault in the system, even before the war, the net result of their efforts was the subject of much criticism. And it is putting it mildly to say that the experience of Government management and control during the war does not at all encourage one to expect that any Government which it would now be possible to call into existence could deal with the tremendous task of organizing the nation's economic activities with any approach to success.

This experience must not tempt us to be too certain about future possibilities. We may be able to create some day a bureaucracy which shall be efficient, intelligent and economical in the best sense of the word. It is not much more than a century since Adam Smith in comparing the possibilities of joint-stock enterprise with private activity, decided that joint-stock

152 THE CASE FOR CAPITALISM

enterprises owing to want of adaptability and elasticity could only compete with private enterprise in businesses such as banking and transport, which could be conducted more or less in accordance with routine. It is true that in those departments which Adam Smith marked out as the special province of joint-stock companies, joint-stock enterprise has won some of its greatest triumphs, but it is also true that it has driven the private undertaker out of many other fields of activity in which he has expected to be victorious, and that even in such matters as retail shopkeeping, the joint-stock company is rapidly establishing itself as the dominant force. As joint-stock enterprise has grown and improved itself, it is quite possible that State enterprise worked by official administration might do likewise. But when we have made the fullest allowances for what the State might or might not be able to do some day, the fact remains that at the present crisis we have no right to gamble on possibilities. As things are at present, it seems most probable that it would be economically disastrous to hand over the whole productive power of society to officials. The mere hugeness of the scale on which things would have to be done must, until

RISKS OF STATE SOCIALISM 153

we have bred a race of supermen, lead to cumbersome and tardy management. It is said that some of the big industrial amalgamations, and also their smaller competitors, are beginning to find that size, after a point, brings weakness.

We are not justified in drawing too decided inferences from what has happened during the late war. Government control has unquestionably exasperated, not only the employers and organizers of industry, but the great majority of the working classes, and the great majority of the consumers, but then we must remember that Government control has had to undertake a task for which we had previously done our best to make it unfit for something more than a century, by telling the Government to do as little as possible in the matter of controlling industry. It is true that the post office, which has many years behind it of experience and practice in conducting an important enterprise, showed great lack of adaptability during the war. It took nearly two years to induce it to bring home to the nation the need for putting its money into war bonds by the use of a post-mark stamp on envelopes, and the manner in which it handled the selling of War Saving

Certificates and the various forms of Government securities which have been issued through it was a cause of much complaint. But here again we must remember that owing to the claims of the recruiting sergeant and the conscription officer, the post office lost many of its best workers at a time when the work thrown upon it was greatly increased.

More serious in its immediate practical effect was the competition between one Government office and another for the goods and services which they required. Attention was called in the fourth year of the war to this form of extravagance in a Report of the National Expenditure Committee. It does seem astonishing that Government offices should not by that time have evolved some better system than going into the market against one another, raising the cost of their administration and impairing their efficiency. Unfortunately this fault was probably only a symptom of inter-departmental jealousy, the extent of which is almost incredible to those who have not been brought face to face with it, and caused some cynics to maintain that during the war the departments were much more eager to win victories over one another than to defeat the

Germans. If these things could happen at a time when the nation's existence was in jeopardy, anything like good team work between the departments for the furtherance of industry in normal times seems to be a very remote aspiration.

But when we dwell upon all the evils of Government control that have been evident during the war—extravagance, friction between one department and another, changes of policy which have involved enormous waste, and an attitude towards labour which has cost the country millions in the payment of wages, while only increasing discontent and unrest among those who thought that they were not being paid enough—we have to remember that the advocates of nationalization have a good deal to say on the other side.

There is no doubt that the Government was able, by inquiry into costs of production, and by centralizing production on a great scale, to effect most valuable economies in the price of shells and other munitions. On the other hand, the industrial problem that it had to face was a very simple one as compared with that which is before the producer in ordinary times. The Government knew that all that it had to do was

156 THE CASE FOR CAPITALISM

to turn out as much of these articles as its available resources allowed. There was no question of turning out too much or of not finding a buyer at a price that would repay the capital and energy put into the work, and so nearly all the difficulties which call for skill, experience, judgment and courage in ordinary industry were eliminated for it. Any manufacturer who was told that he had a certain market for the whole amount of any particular product that he could turn out, and could call upon the whole resources of the nation to provide him with raw material and labour, could bring down the price of it to an astonishing extent without loss.

But after all, all these arguments from what happened during the war have to be used with great caution, because the whole state of affairs was artificial. Extreme urgency was the cause and justification of much extravagance that seemed to be appalling, while on the other hand the spirit of the nation and the eagerness of all classes to meet the crisis put advantages into the hands of the Government of which it might have been expected to have made much more profitable use. Many pages could be covered with a record of the blunders and absurdities

RISKS OF STATE SOCIALISM 157

perpetrated by Government departments during the war, but it is enough for our present purpose to observe that the war's experience has certainly increased the doubt that one feels concerning the efficiency of Government control of industry.

It is a perpetual puzzle to those who know from what a brilliant class of young men the Government officials were recruited, and have seen the untiring zeal with which they do their work, to account for the unsatisfactory results which were produced by them both before and after the war. Take a recent example arising out of the introduction of rabies into England. If there was one thing which our officials might have been expected to tackle with all the effectiveness of which they were capable, it was the protection of the citizens from the horrible death with which the outbreak of rabies menaced them. How the Board of Agriculture dealt with it is shown in the following extracts from a letter signed, "An old Soldier in Wales," published in the *Times* of July 1, 1919 :—

"On Monday last I was bitten by a stray cur on the main road here, both its condition and behaviour being such as to arouse the gravest suspicion in any one who has, like myself, seen

not a few cases of rabies in dogs. I hurried off by motor to my doctor, who dressed the wound, and certified his opinion that the dog should be destroyed, and the head sent for examination, to see if it were infected with rabies. The police-station—we went to report—was empty, but late that evening the doctor motored out to me with a brochure issued by the Board of Agriculture on this subject, obtained from the police ; it contained very precise rules of procedure for various subordinate officials, and very minute instructions for the proper sepulture of a rabid dog, but, on a cursory examination, revealed nothing applying to a person bitten, or a doctor treating him, or as to the means to be taken to secure a certain diagnosis.

“It did, however, say that a telegram was to be sent, by some official, to this Board, and, to avoid inordinate delay, it was decided that I had better myself telegraph to them. On Tuesday morning I did this, giving the doctor’s opinion, and asking where the head should be sent. On Wednesday evening, having received no reply, I wrote to the secretary of the Board, giving full details, stating that the owner of the dog consented to its destruction, and urgently asking where I could send the head. On

RISKS OF STATE SOCIALISM 159

Thursday, evidently after the receipt of this letter, I got, the only reply vouched, this telegram—'If rabies suspected intimation should be given to the police.' On Friday, as a result of doing so, I was visited by a fine specimen of the thick-headed rural constable, with written instructions 'to inquire into my complaint against the owner of a savage dog'!

"To-day, Saturday, my doctor is telegraphing elsewhere for the information denied us by the Board, but it will be Monday before the head can be sent, and probably a fortnight from the date of the bite before the result can be known, and then, if unfavourable, three weeks before I could get to Paris for treatment."

Such were the methods applied by brilliant and devoted Government officials to a comparatively simple though enormously important problem. Would they have good results if applied to industry and production?

Finally before we leave the question of Government control a word has to be said concerning the contention of many Socialists that workers would work cheerfully, contentedly and well for the community, and that industrial friction would be practically abolished. This

theory has been blown into bits by the railway strike of last September. The railways were in the hands of the Government, which was paying a fixed rate for their use to their proprietors, and yet the railwaymen declared a lightning strike which inflicted untold hardship almost entirely upon the poorer classes. They had, in my opinion, a very genuine grievance, but it could not affect them for six months, yet such was the action that they thought fit to take when working for the Government.

It will also be remembered that the Prime Minister when he announced that the Government did not intend to adopt Mr. Justice Sankey's recommendation that the coal-mining industry should be nationalized laid stress on this aspect of the question. Mr. Justice Sankey's recommendation had been based upon the hope that nationalization would tend to smooth the relations between the workers and their employer, but Mr. Duncan Graham, M.P., a mining leader, had declared at a conference of the National Union of the Scottish Mine-Workers, "that if the mines became the property of the nation the miners would need to be more determined than ever in their policy and more vigorous in the Trade Union organization because instead of

RISKS OF STATE SOCIALISM 161

fighting local employers they would be fighting the Government.”¹

If Government control is only to mean harder fighting between Labour and its employer, there is a sweet prospect ahead of the Socialistic State.

A similar lesson can be learnt from the experience of municipal enterprise in the report of the conference between the Prime Minister and the miners' leaders on the subject of the nationalization of coal-mines. The Prime Minister was reported as saying:—

“Municipalities in their communal ownership own gigantic industries, but I do not think you can point to a single case where it can be said that workmen working for the commune, either the local commune or the national one, work more heartily, work harder, or increase the output in comparison with their fellows who are working for a syndicate—not one.”

Whereupon Mr. Smillie replied, “Yes, the Glasgow trams are. They work more loyally.” Mr. W. E. Treir, editor of the *Electric Railway and Tramway Journal*, wrote a letter that was printed in the *Times* of October 17, 1919, in which he stated that the above-quoted passage

¹ *Times*, August 15, 1919.

162 THE CASE FOR CAPITALISM

had led him to analyse the records of strikes published in his journal during the twelve months ended June 30, 1919, in order to ascertain whether there were more strikes or fewer on British municipal or on company-operated tramways during that period, and that he had found that there had been twelve on municipally-owned and operated tramways, including Glasgow, and on company operated tramways four. He added, however, that "the fact that in the United Kingdom municipally-operated tramways are much more numerous than company tramways has some bearing on the figures, but does not affect the argument put forward by Mr. Smillie."

As to the method by which Socialism is to be arrived at, Mr. Snowden tells us that there is no dispute. "All Socialists," he tells us on page 138 of his book, "are now agreed that the economic changes which are aimed at must be brought about by political action. Mr. Sidney Webb says there can be no doubt that the progress towards Socialism will be, (1) Democratic—that is, prepared for in the minds of people and accepted by them; (2) Gradual—causing no dislocation of industry however rapid the progress may be; (3) Moral—that

RISKS OF STATE SOCIALISM 163

is, not regarded by the sense of the community as being immoral; (4) Constitutional—that is, by legal enactment sanctioned by a democratic Parliament.”

He then quotes, with disapproval, Mr. Arthur Balfour, who had stated in a speech at Birmingham in 1907 that “Socialism has one meaning only. Socialism means, and can mean nothing else than that the community or State is to take all the means of production into its own hands, that private enterprise and private property are to come to an end, and all that private enterprise and private property carry with them.”

Mr. Snowden thinks that this definition “is not an accurate and precise statement of the aims of present-day Socialism. . . . Socialism only proposes to make such of the means of production into public property as can be conveniently and advantageously owned and controlled by the community. . . . If private enterprise can carry on any productive works, or conduct any public service better than the community can do it, a Socialist State might certainly be trusted to encourage that form of enterprise which would bring the best results to the community. . . . But whatever private

164 THE CASE FOR CAPITALISM

production or voluntary enterprise does exist in the Socialist State will not be private capitalism. Capitalism means capital employed for the purpose of appropriating profit or surplus value. There can be no Socialist State in which the exploitation of labour for the profit of others is allowed. There can be no Socialist State where economic rent is appropriated by monopolists. The reason why Socialists aim at the control and ownership of land and capital is because, generally speaking, that is the only way in which rent, interest and profit can be secured for the community, and also because, generally speaking, the community can work a concern or public service more economically and efficiently than private enterprise can do it."

This latter assumption is by no means borne out by such examples as the management by the post office of the telegraphs and telephones. And if, as Mr. Snowden seems to indicate, no private production or voluntary enterprise in the Socialist State would be allowed to earn a profit, it would seem that all the means of production are likely to be transferred to the State, unless human nature were radically altered, since no one else would have any incentive for making

RISKS OF STATE SOCIALISM 165

use of them. And in that case, Mr. Balfour's view that private enterprise and private property would necessarily come to an end, would clearly be correct. And Mr. Balfour's reading of the meaning of Socialism, rather than Mr. Snowden's, is borne out by a speech made by Mr. Tom Shaw, M.P., at the Trade Union Congress of September 1919. "If," he said, "Socialism means anything, it means the nationalization of the means of production, distribution and exchange, and their administration by the whole nation for the good of the whole nation." He seemed to recognize no exceptions.

Among practical steps to be taken towards the establishment of Socialism Mr. Snowden enumerated an eight-hour working day, a minimum wage for all adult workers, complete provision against sickness, free education for all children at the primary, secondary and technical schools, adequate provision for all aged and infirm persons, and other reforms aimed at the raising of the general standard of the workers' life. Also "demands for the abolition of indirect taxation and the gradual transference of all public burdens on to unearned incomes, with the view to their ultimate extinction." He further advocated the organization of schemes

166 THE CASE FOR CAPITALISM

for the unemployed or the maintenance of the unemployed by the taxation of surplus value, so that workmen may be relieved from vieing against each other for employment, and as a means to that end he tells us that "Socialists demand that the State shall embark upon schemes of national development, such as the improvement of roads, harbours, waterways, and the afforestation of suitable wastes. They also suggest that the policy of agricultural holdings for the labourers shall be extended, and that help shall be given by the State in the form of encouraging co-operative effort among these State tenants, with the assistance of State capital."

Municipal enterprise might "start competitive enterprises in house building, fire insurance, coal supply, milk supply, bakeries, refreshment houses, stores and the like," and "the nationalization of land, mines, railways and other means of transport would be a tremendous step towards Socialism."

The question of finding money for this programme is a difficulty which, as Mr. Snowden says, is "felt only by those persons who give Socialists credit for sufficient honesty as to believe that compensation will be paid." And he

RISKS OF STATE SOCIALISM 167

points out that these difficulties vanish when it is remembered that the railways have been nationalized in many other countries without confiscation, and that "in this country we have transferred from private to public ownership such great concerns as the telephone system, the London Docks, the Metropolitan Water Companies and tens of millions of property in tramways and gas and electricity works."

It is quite true that the transfer of property from private to public hands can be carried through quite equitably without raising any money for the actual process of transfer. The State takes over the capital and debts of the enterprise, and creates national securities with which to buy out the holders. The State debt is enormously increased, but it is only increased by the cancellation of the capital and debts of the enterprise acquired. The charge upon the country's wealth and productive power is not necessarily increased at all, and is only increased if the State or municipality pays extravagant prices. But there is a danger which past experience shows to be a very real one, that State administration, being at present inefficient and extravagant, will not provide a better service to the community, will not be able to treat its

168 THE CASE FOR CAPITALISM

workers any better, or to get a more willing and loyal service from them ; and, owing to its inefficiency and extravagance, will not be able to earn a sufficient sum to meet the interest and redemption of the debt created in order to buy out the private owners. In that case, every enterprise which the State takes over would increase its charges and diminish the income out of which it has to meet these charges. If these things are so, any attempt to introduce Socialism prematurely before collective authorities had learnt to conduct enterprise on business lines, might, instead of opening the way to the Promised Land, only lead to economic disaster. Is it worth while to gamble on such a risk ?

CHAPTER VIII

A PICTURE OF STATE SOCIALISM

ANY one who wants a detailed picture of the manner in which the State might obtain control of the means of production and organize industry to the exclusion of the private capitalist, can find it in a book called *The Ragged-Trousered Philanthropist*, by Robert Tressall, published in April 1914 by Grant Richards. It is a tragic and very interesting book, and is said to have been written by a Socialistic house-painter, who died soon after writing it. It describes the experiences of an educated working man, with high ideals of work and life, employed by a very third-rate firm of builders and decorators among a crowd of jeering and illiterate companions, whom he tried to stimulate to accept his own views on Socialism, as being the only remedy for the evils under which he and they suffered. In the last chapter this idealist, finding himself threatened with deadly disease, decides that the

170 THE CASE FOR CAPITALISM

kindest thing to do for his wife and son is to take them with him out of a world which seems to him hopeless. It is a terrible book, and as a picture of the black side of the present economic arrangements of society, is well worth study.

The most interesting pages in it—apart from the roughly humorous descriptions of the gaiety with which these unfortunate, underpaid, and overdriven workers face the misery of their lot—are those in which the idealist worker, Frank Owen, describes to his companions, in answer to their jeering questions, the means by which their lot could be bettered. In the course of one of these orations he gives a detailed and ingenious description of the birth of the Socialistic State (page 334). He begins by dealing with the land, saying that a large part of it may be got back “in the same way as it was taken from us. The ancestors of the present holders obtained possession of it by simply passing Acts of Enclosure; the nation should regain possession of those lands by passing Acts of Resumption.” As to the rest of the land, he suggested that the present holders should be allowed to keep it during their lives and that it should then revert to the State “to be used for the benefit of all.” The railways,

PICTURE OF STATE SOCIALISM 171

of course, would be nationalized at once. All railway servants, managers and officials would continue their work, being henceforward in the employ of the State. The State would pay to shareholders the average dividends they had received during the previous three years, these payments being continued to the present shareholders for life, or for a stated number of years, and the shares would be made non-transferable.

As for the factories, shops, and other means of production and distribution, the State would "adopt the same method of doing business as the present owners." The speaker argues that even as the big Trusts and Companies are crushing by competition the individual workers and small traders, so the State should crush the Trusts by competition. "It is surely justifiable for the State to do for the benefit of the whole people that which the capitalists are already doing for the profit of a few shareholders." The first step would be the establishment of retail stores for the purpose of supplying all national and municipal employees with the necessities of life at the lowest possible prices. The Government would buy these goods from private manufacturers in such large quantities that it would be able to get them at the very cheapest rate, and as there would be no high

172 THE CASE FOR CAPITALISM

rents to pay for showy shops, and no advertising expenses, and as the Government would not be aiming at profit, it would be able to sell much cheaper than the profit-making private stores. These National Service Retail Stores would only serve those in the public service ; and coined money would not be taken by them in payment for the things sold. At first all public servants would continue to be paid in metal money,¹ but those who wished it would be paid all or part of their wages in paper money, which would be taken in payment for their purchases at the National Stores, National Hotels, National Restaurants, and other places which would be established for the convenience of those in the State service. Owing to the cheapness of the articles that it would command, the paper money would win increasing favour, and all public servants would soon prefer to have all their wages paid in it. The Government, however, would still need metal money to pay the manufacturers who supplied the goods sold in the National Stores. But to avoid buying all these things from them the State would then begin to produce for itself.

¹ At the time when Mr. Tressall's book was written, we had a gold currency in England.

PICTURE OF STATE SOCIALISM 173

Public lands would be cultivated, and public factories would be started to produce food, boots, clothing, furniture and all other necessities and comforts of life. All who were out of employment and willing to work would be given work on these farms and in these factories, which would be "equipped with the most up-to-date and efficient labour-saving machinery." How the State is going to get the machinery is not made clear. Perhaps it could provide the necessary money by taxation, if by that time there were any one left to tax, or perhaps it would just take it. From its farms and factories so equipped it would pour out a great flood of cheap goods, and all public servants would revel in "abundance of everything." When the workers who were being "exploited and sweated" by the private capitalists saw what was happening, they would come and ask to be allowed to work for the State. "That will mean that the State army of production workers will be continually increasing in numbers. More State factories will be built, more land will be put into cultivation. Men will be given employment making bricks, woodwork, paints, glass, wall-papers and all kinds of building materials; and others will be set to work building, on State land, beautiful

174 THE CASE FOR CAPITALISM

houses, which will be let to those employed in the service of the State. The rent will be paid with paper money."

State fishing-fleets would be the next State enterprise, and in order to deal with the "great and continuously increasing surplus stock" in its hands, the Government would acquire or build fleets of steam trading-vessels, manned and officered by State employees, to carry the surplus stocks to foreign countries, to be sold or exchanged for foreign products, which would be brought to England and sold at the National Service Stores, at the lowest possible price, for paper money, to those in the service of the State. A detachment of the Industrial Army would be employed as actors, artists and musicians, singers and entertainers. Every one that could be spared from producing necessities would be set to work to create pleasure, culture and education.

Meanwhile, private employers and capitalists would find that no one would come and work for them "to be driven and bullied and sweated for a miserable trifle of metal money," and some might threaten to leave the country and take their capital with them. "As most of these persons are too lazy to work, and as we shall not need their money, we shall be very

PICTURE OF STATE SOCIALISM 175

glad to see them go." But their real capital, their factories, farms, mines or machinery, would be a different matter. So a law would be passed, declaring that all land not cultivated by the owner or any factory shut down for more than a specified time, would be taken possession of by the State and worked for the benefit of the community. Fair compensation would be paid in paper money to the former owners, who would be granted an income or pension either for life or for a stated period. Wholesale and retail dealers would be forced to close down their shops and warehouses, first, because they would not be able to replenish their stocks, and secondly because even if they were they would not be able to sell them. This would throw out of work a great host of people "at present engaged in useless occupations, such as managers and assistants in shops of which there are now half a dozen of the same sort in a single street, and the thousands of men and women who are slaving away their lives producing advertisements. These people are in most cases working for such a miserable pittance of metal money that they are unable to procure sufficient of the necessities of life to secure them from starvation." (Here the writer surely overstates his case.) But all

176 THE CASE FOR CAPITALISM

those who are willing to work would be at once employed by the State in producing or distributing the necessities and comforts of life. The Government would build houses for the families of all those in its employment, and all other house property of all kinds would rapidly fall in value. "The slums and the wretched dwellings now occupied by the working-classes, the miserable, uncomfortable, jerry-built 'villas' occupied by the lower middle-classes and by 'business' people, will be left empty and valueless upon the hands of their rack-renting landlords, who will very soon voluntarily offer to hand them, and the ground they stand upon, to the State on those terms accorded to the other property owners, namely, in return for a pension."

By this time the nation would be the only employer, and as no one would be able to get the necessities of life without paper money, and as the only way to get it would be by working, every mentally and physically capable person in the community would be helping in the great work of production and distribution. There would be no unemployed and no overlapping. For every one labour-saving machine in use to-day, the State would, if necessary, employ a thousand, and there would be produced

PICTURE OF STATE SOCIALISM 177

such a "stupendous, enormous, prodigious, overwhelming abundance of everything," that soon it would be necessary to reduce the hours of the workers to four or five hours a day. All young people would remain at the schools and universities until they were twenty-one years of age. At forty-five every one would retire on full pay. "Thus, for the first time in the history of humanity, the benefits and pleasures conferred upon mankind by science and civilization will be enjoyed equally by all, upon the one condition, that they shall do their share of the work in order to make all these things possible. These are the principles upon which the Co-operative Commonwealth will be organized; the State in which no one will be distinguished or honoured above his fellows except for Virtue or Talent; where no man will find his profit in another's loss, and we shall no longer be masters and servants, but brothers, free men, and friends; where there will be no weary broken men and women passing their joyless lives in toil and want, and no little children crying because they are hungry or cold."

I have given this detailed summary largely in Mr. Tressall's own words, because it is the only picture of a Socialistic State that I know

178 THE CASE FOR CAPITALISM

which works out in detail how it came into being. William Morris' beautiful dream in *News from Nowhere* shows us life under Socialism but does not tell us how it came about, or even how the material needs of the Socialistic community were met. Mr. Tressall's scheme, though it bristles with obvious difficulties and involves some injustices, is not altogether impracticable and, while the mere suggestion of paper money in connection with a Socialistic Government makes one shudder in the light of recent experiences, there is nothing necessarily unsound in his paper money as long as its authors did not make too much of it.

Most of us will admit that the picture is in many ways highly attractive, and that if the writer's ideals could be secured by the methods that he proposes it would be worth while to sacrifice a good deal, in order to obtain them. But some very large assumptions are involved by his exposition. In the first place, he gives to the State officials a power of organization which is at present more notable as an effort of idealist imagination than likely to be realized in the world of fact; and it also assumes efficiency and alacrity on the part of those who work for the State concerning which one can only feel a certain amount of scepticism.

PICTURE OF STATE SOCIALISM 179

If it involves certain injustices, Mr. Tressall's scheme also carries with it, if it could be carried out, very great benefits to a very large proportion of the population. But there remains still the question whether, if we could swallow all the injustices and all the assumptions in return for all the promised benefits, the result achieved would be one in which anything like economic freedom would be secured, and in which the nation as a whole would be better off in every sense of the word.

On this subject, as has already been observed, the most outspoken critics of State Socialism are the exponents of the new variety of Socialism known as Guild Socialism. Mr. Cole, who has already been quoted in former chapters, says on page 5 of his book on *Self-Government in Industry* that "Before the war the problem of industrial control had forced its way to the front. State Socialism, in part a bureaucratic and Prussianizing movement and in part a reaction against the distribution of wealth in capitalist society, continued to develop, at least in its Prussian aspects. But, from the working-class point of view, State Socialism was intellectually bankrupt. The vast system of regimentation inaugurated by the Insurance Act was opening men's eyes

180 THE CASE FOR CAPITALISM

to the dangers of State control, and, in those services, such as the post office, which were already publicly administered, discontent was growing because the State and municipal employees found that they were no less wage slaves than the employees of private profiteers." And on page 114: "The crying need of our days is the need for freedom. Machinery and Capitalism between them have made the worker a mere serf, with no interest in the product of his own labour beyond the inadequate wage which he secures by it. The Collectivist State would only make his position better by securing him a better wage, even if we assume that Collectivism can ever acquire the driving-power to put its ideas into practice: in other respects it would leave the weaker—[presumably a misprint for "worker"] essentially as he is now—a wage slave, subject to the will of a master imposed on him from without. However democratically-minded Parliament might be, it would none the less remain, for the worker in any industry, a purely external force, imposing its commands from outside and from above. The postal workers are no more free while the post office is managed by a State department than Trade Unionists would be free if their Executive Committees

PICTURE OF STATE SOCIALISM 181

were appointed by His Majesty's Minister of Labour."

Equally emphatic is a book called *National Guilds: an Enquiry into the Wage System and the Way Out*, which is described on its cover as by A. R. Orage, and on its title-page as by S. G. Hobson, edited by A. R. Orage. On page 21, the Hobson-Orage partnership observes that "there is this in common between Municipal and State Socialism: both are equally committed to the exploitation of labour by means of the wage system, to the aggrandisement of the municipal investor. State Socialism is State capitalism, with the private capitalist better protected than when he was dependent upon voluntary effort."

Later on, on page 153, they say that they "have shown that the continuance of the wage system is inevitable if the State Socialist prevails, since he can only acquire productive and distributive undertakings by payment of a compensation that would bear as heavily upon labour as the present burden of rent, interest, and profits." And the champion of Guild Socialism who has published the latest book on the subject, Mr. G. R. Stirling Taylor, deals roughly with the question of bureaucratic efficiency.

182 THE CASE FOR CAPITALISM

"Bureaucracy," he says,¹ "as a matter of fact, does not choose expert workers ; it chooses first-class bureaucrats. It would be inhuman if it did not look upon the world with the rather timid eyes of the sedentary clerk. It probably thinks that the world can be saved if a sufficient number of letters and reports are written about it. There are hundreds and thousands of clever, self-sacrificing officials in Government offices, who pass their lives in helpful work. But the most helpful work they can do is to stand on one side, and not act as a buffer between the men who are themselves producing and the community which is receiving. It is not that all Government officials are dishonest or foolish ; most of them are the reverse. The bad thing about them all is that they are clerks, and wealth is not made by clerks."

Thus all the attractions, such as they are, of State Socialism for those who see how black are the effects of the present system, are dismissed as a fraudulent and futile chimera by the advocates of the latest form of Socialistic zeal, namely the National Guilds. In the meantime the Capitalist may chuckle as he sees the Socialism that was the bogey of his

¹ *The Guild State*, page 59.

PICTURE OF STATE SOCIALISM 183

childhood derided by Socialists of the latest brand, and wonder when a new vintage, equally contemptuous of the Guildsmen, will come into fashion.

The schemes which these ingenious gentlemen put forward for the bettering of our lot will be examined in later chapters. In the meantime their criticisms of State Socialism are by no means necessarily decisive. Labour leaders seem to be in favour of nationalizing everything, though it is by no means clear that thereby they voice the real opinions of those whom they are alleged to represent. They seem to think that somehow nationalization can be adopted without involving the bureaucratic control which they emphatically flout. Mr. Brace in the House of Commons, Nov. 28, 1919, said, "The mining people are driven to despair at this blunder in connection with the Coal Controller's department. . . . This is not how nationalization would work. If it were I would oppose it. This is bureaucratic control pure and simple, and it is the worst of all systems. Better far go back to private ownership and private control." But he did not explain how nationalization could be accomplished and bureaucratic control avoided. Whatever attempts are made to dodge it by

184 THE CASE FOR CAPITALISM

means of committees and district councils, nationalization must surely mean that the nation puts money into an industry, and so Treasury control becomes inevitable, with all its consequences.

A state of society in which everybody worked and nobody was overpaid and nobody was underpaid, and everybody enjoyed a fair share of an overwhelming abundance of the good things of life has certainly enormous advantages to recommend it, if it can be attained, as compared with our present system. Nevertheless, even this is only to be secured, according to its advocates, by the introduction of a system which might carry with it very deadening drawbacks. Mr. Cole deals a deadly blow at State Socialism when he speaks of the "regimentation" involved by it, and describes it as a Prussianizing movement. In order to obtain the very great economy in production, which is certainly possible if a really efficient State administration took the business in hand, decided what was good for the community to consume, and then set the whole energies of the nation on to producing those particular articles, it would be necessary to lose the freedom of choice in production and consumption which our present system gives us, involving

PICTURE OF STATE SOCIALISM 185

some waste, but at the same time conferring certain benefits which are rightly very dear to the great majority of mankind, and will continue to be so.

To most of us, to find ourselves members of a monstrous organization which regulated our lives from our birth to our death, telling us what work we are to do, what necessities of life we are to consume, and what pleasures we are to enjoy, would seem to be a fate under which, though we might get a much larger supply of some of the good things of life than we now enjoy, we should only do so through the sacrifice of all the freedom and fumbling and failure which make life worth living because they are our own fault and make men and women of us by testing us and battering us with our own blunders and teaching us to take risks. It might be cheaper to have national retail stores at which we all had to shop, instead of half a dozen shops in the same street competing for our custom, but should we be so well served, and should we have the same variety of choice, and should we not suffer very considerable inconvenience by having our wants supplied by people who had no incentive of private gain to spur them to do the best that they can for their customers?

186 THE CASE FOR CAPITALISM

As human nature is at present, it seems most probable that our dealings with the great Government stores might often be very uncomfortable, disagreeable and unsatisfying. It has long been a commonplace that the difference of spirit in which one is served at a post office and at a private shop which depends on its customers' goodwill for its profits is markedly in favour of the latter. And a very interesting confirmation of the incentive of profit in rendering services to the consumer has been provided during the late war, when, owing to restrictions on the supply of goods and the absence of competition, shopkeepers no longer had the same need to observe ordinary courtesy towards their customers. It is often assumed by Socialistic enthusiasts that when once profit-making and competition are eliminated every one will be sunny and kindly and helpful. How far this theory is from fact was made clear to any one who during the war wanted to buy a pound of sugar or a box of matches or anything in which profit was automatic and competition was suspended.

But even if this were not so, if we not only had abundance, which is doubtful, but also pleasant and kindly relations between producer

PICTURE OF STATE SOCIALISM 187

and consumer, which is problematical, would it make up for the loss of the old freedom to make mistakes in our own way and so attain to that development which is only possible to those who have a chance of doing and being wrong? To quote Mr. Stirling Taylor again: "Doing the wrong thing ourselves is often more stimulating than doing the right thing because somebody else orders it." To have all the pitfalls of life filled in and fenced off by bureaucratic efficiency would make it a very comfortable proceeding perhaps, but as exhilarating and stimulating as a journey through a tunnel in a Pullman car. If it were the only possible cure for destitution, then perhaps nine-tenths of us might submit to it, with resignation, in the interests of the now unfortunate tenth. But is there no other way of solving this terrible problem but by living in a society which at best would be a glorified and well-appointed workhouse? If there is any other way, surely those who believe that a sound and good people can only be made out of sound and good individuals, and that no individuals can learn to be sound and good except by facing life's problems for themselves, are entitled, and bound, to resist the regimentation and tyranny involved

188 THE CASE FOR CAPITALISM

by State Socialism. Under it the individual would have as much chance of development and progress as a fowl in an intensive poultry farm, and would probably be not nearly as well fed as they are.

CHAPTER IX

GUILD SOCIALISM

EVERY one who has recognized the evils of the Capitalist system, and been forced to the conclusion that State Socialism, though it might cure some of these evils, could do so only at the risk of a great loss in productive output and by the establishment of bureaucratic control that might have deadening effects on moral and intellectual growth, must have been thrilled, as with the hope of spring, when he or she heard that a new school of Socialism was setting out to make things better by means of National Guilds. The word guild is hardly associated with freedom, having, as hitherto used, generally implied a more or less close corporation, very jealous of its privileges. Nevertheless, it had a pleasant mediaeval smack on the mental palate, and everybody but the most uncompromising economic Tories turned to the study of the literature of the new faith with a hopeful mind, most ready to find salvation, if it was really to be had.

190 THE CASE FOR CAPITALISM

Before we entered on this study we had probably heard from conversation with its disciples a rough outline of its doctrines—economic freedom to be secured by the abolition of the wage system, every industry to be organized into a great watertight blackleg-proof union including all the workers by hand or brain, the capitalist to be got rid of, the great new unions to be the new Guilds, which were to give the worker freedom, and a new community to be founded on the basis of "organization by function."

From this sketch, which proved on examination to be very near the mark, it appeared that there was much in common between Guild Socialism and Syndicalism, which has hitherto had little support in this country. Concerning it Mr. Snowden tells us, in his book on *Socialism and Syndicalism*, page 205, that "there is no authoritative and definite statement of its philosophy or its policy or its aims by those who profess to accept it. Syndicalism is one thing according to one of its exponents, and something very different according to another." This of course is inevitable in the case of a new doctrine that is developing itself, and Mr. Snowden was nevertheless able to tell us that Syndicalism "proposes that the control of

production shall be exercised by the workers in the various industries—that is, that the railways shall be managed by the railway workers, the mines by the miners, the post office by the postal servants, and so with regard to other industries and services. Syndicalists have now repudiated the claim that these industries shall be owned by the workers in the separate industries. . . . The Syndicalist, like the Anarchist, repudiates the State, and would make the social organization of the future purely an industrial one.” As we shall see, it is chiefly in the matter of their attitude to the State that Syndicalism and Guild Socialism differ, since the latter has, apparently, to leave a good deal to the State.

Certain obvious difficulties naturally came into the mind of any one who took a first draught from the Guild Socialist fountain as above described. How, one wondered, could economic freedom be secured for the producer except at the expense of himself as a consumer? And as every one, as a rule, produces one, or a fraction of one, article or service and consumes thousands of them, is the sum total of the freedom of each likely to be furthered by this process? How are the Guilds to solve the question of value—that is, on what basis are they

192 THE CASE FOR CAPITALISM

to exchange their products? State Socialism could solve this problem by the Prussian process of rationing, leaving no freedom of choice to anybody, either in what they make or what they consume. But how are the Guilds to solve the question? Would not enterprise and initiative be checked under Guild monopoly almost as seriously as under State control? Who is to decide as to right of entry to a Guild? Would the guildsmen really work better for a Guild than for an ordinary employer? What would happen if any of the Guilds, exercising, as they would, a watertight monopoly, started the game—at which all could play with differing degrees of success—of mutual exploitation?

And this strange new formula about "organization by function"—what did it mean? If a man is to be a butcher, baker, or candlestick-maker first, and a citizen of his country, or a member of the human brotherhood, second, it seems to be a rather material standpoint. It would surely tend to produce a selfish and sectional outlook, very different from the conception of each as a member of a great community, in which divergent interests are, or might be, attuned by co-operation and competition into a cheerful and inspiring harmony. A study of Guild Socialist literature, in spite of

the evident earnestness and sincerity of its writers, does not remove these difficulties. State Socialism we found to be theoretically possible. With an efficient bureaucracy, and a docile people ready to work hard and to be told what to produce or consume, the system might work well, though only by eliminating the surprises and failures that give life much of its zest and most of its discipline. But it is difficult to see how the schemes of the Guild Socialists could be fitted into a system that could work, without the sacrifice of most of the objects that they hope to secure.

A book on the subject of National Guilds from which I have already quoted freely, is *Self-Government in Industry*, by G. D. H. Cole. On page 4 he tells us : " I am putting forward in this book some general suggestions for industrial reconstruction. These suggestions are based upon the idea that the control of industry should be democratized ; that the workers themselves should have an ever-increasing measure of power and responsibility in control, and that capitalist supremacy can be overthrown only by a system of industrial democracy in which the workers will control industry in conjunction with a democratized State. This is the system of National Guilds,

194 THE CASE FOR CAPITALISM

and its dominant idea is that the individual worker must be regarded not simply as a "hand," a decreasingly important adjunct to the industrial machine, but as a man among men, with rights and responsibilities, with a human soul and a desire for self-expression, self-government and personal freedom."

This dominating idea is cherished by most of us in these days. But is it likely to be achieved by the establishment of a group of great monopolies? It is rather disappointing—after the bitter criticisms of State control and bureaucratic tyranny expressed by Guild Socialists, especially by Mr. Cole—to find that the control of industry by the workers is to be exercised "in conjunction with a democratized State." Perhaps, however, the word "democratized" is expected to cover a multitude of blessings, and perhaps it might actually do so. Mr. Cole continues a little later (page 6): "Recognizing the paramount need for destroying the wage system and giving the producers the fullest possible share in the control of their life and work, National Guildsmen saw also the true function of the State and the municipality as the representatives of the consumers, of all those who had a common interest born of neighbourhood and common use of the means of

life. They set out therefore to devise a system by which the control of industry might be shared between the organizations of producers and consumers, so as to safeguard the interests of the community of consumers and at the same time to give the workers freedom to organize production for themselves." And on page 63 he tells us again: "In the first place National Guildsmen clearly know what they want. Their aim is a partnership between State and Labour, accompanied by the abolition of the system of capitalist production."

It thus appears that, under the National Guild system, the much-abused State is to exercise extremely important functions. It is to represent the consumers and safeguard their interests, but at the same time the workers are to have freedom to organize production for themselves. How far is this freedom possible? And what does it mean? Does it mean that the workers are to be free to turn out whatever article they like, irrespective of the wishes of consumers with regard to the kind of things they would like to have and enjoy? And if so, if the workers happen to produce an article which nobody wants, how are they to be paid for their work? In other words, what right will they have to any of the goods which

4
other people are producing? In another part of his book, as we shall see later, Mr. Cole says that the workers must be freed "to choose whether they will make well or ill," the consumer being apparently invited to take the article made or leave it. But production will have to be dominated, under a system of National Guilds as under every other, by the needs of the consumer—either expressed by himself by his purchases in the market, as under the present system, or as expressed, as is conceivable under State Socialism, by the decision of a bureaucracy as to what sort of articles it is good for the community to enjoy. In whatever way the decision is arrived at, the producer, if he is to justify himself economically, has to produce what is wanted. If he does not produce what is wanted, his product has no economic value, and his freedom in production simply reduces him to a useless parasite working for his own enjoyment, instead of for the satisfaction of the needs of the community.

Until we go back to the state of the primitive savage supplying all his own wants, it is the inevitable lot of all workers to meet the wants of somebody else. We thus see at the outset that in this proposed partnership between the State and Labour there are seeds of a

good deal of discord and friction which might lead to serious economic inefficiency. That is to say, unless the National Guilds representing the producers, and the State representing the consumers, work in complete harmony, the strikes and friction which are so serious a clog on the economic machine under our present system, might be replaced by even more bitter contests, more bitter because they would involve the whole society through its political machinery.

On this subject Mr. Cole does not seem to have thought the matter out very clearly, and here again one must admit that it is no just criticism of National Guildsmen to tell them that they have not got a cut-and-dried scheme to cover every possibility. He tells us (page 86) "that the various Guilds will be unified in a central Guild Congress, which will be the supreme industrial body, standing to the people as producers in the same relation as Parliament will stand to the people as consumers. . . . Neither Parliament nor the Guild Congress can claim to be ultimately sovereign: the one is a supreme territorial association, the other the supreme professional association. In the one because it is primarily concerned with consumption, government is in the hands of the

198 THE CASE FOR CAPITALISM

consumers ; in the other where the main business is that of production, the producers hold sway."

Again he says (page 87) : "Where a single Guild has a quarrel with Parliament, as I conceive it may well have, surely the final decision of such a quarrel ought to rest with a body representative of all the organized consumers and all the organized producers. The ultimate sovereignty in matters industrial would seem properly to belong to some joint body representative equally of Parliament and of the Guild Congress. Otherwise, the scales must be weighted unfairly in favour of either consumers or producers. But if on such questions there is an appeal from Parliament and from the Guild Congress to a body more representative than either of them, the theories of State Sovereignty and Guild Congress Sovereignty must clearly be abandoned, and we must look for our ultimate sanction to some body on which not merely all the citizens, but all the citizens in their various social activities, are represented. Functional associations must be recognized as necessary expressions of the national life, and the State must be recognized as merely a functional association — 'elder brother,' '*primus inter pares*.' The new social philosophy which this changed conception of

sovereignty implies has not yet been worked out; but if Guild Socialists would avoid tripping continually over their own and other writers' terminology, they would do well to lose no time in discovering and formulating clearly a theory consistent with the Guild idea, and with the social structure they set out to create."

What all this means, will perhaps be clear to people of exceptional intelligence. The ordinary plain reader can only see that Mr. Cole thinks it very likely that a Guild may have a quarrel with Parliament—wherein we heartily agree with him. Further, that Mr. Cole concludes that the ultimate sanction must be provided by some body, superior both to Parliament and the Guild Congress, representing both of them, and also representing not merely all the citizens, but all the citizens in their various social activities, and he is left wondering what that means. Also that the State must be recognized merely as a functional association, and he is still more bewildered, and he will finally agree very earnestly with Mr. Cole that the Guild Socialists should formulate a clear theory on the subject, and tell us how this queer conglomeration of ruling bodies could possibly work in harmony or with anything like practical efficiency.

200' THE CASE FOR CAPITALISM

In the meantime if the consumer is to have any voice in the question of what is to be produced, and if, under the system of National Guilds, the State is to represent the consumers, it would seem that the freedom which is promised to the workers by Guild Socialism, will be very seriously qualified by State control. On a later page (page 106) Mr. Cole tells that the State "has no claim to decide producers' questions, or to exercise direct control over production; for its right rests upon the fact that it stands for the consumers, and that the consumers ought to control the division of the national product, or the division of income in the community." If the consumers are thus to decide concerning the division of the community's income, it is clear that the producing Guildsmen will have to work according to their wishes, and in return for pay provided by them. And the freedom of the Guildsman seems to be narrowed down to mere control of the "conditions under which work is carried on" (page 107). "The workers," says Mr. Cole on page 108, "ought to control the normal conduct of industry; but they ought not to regulate the price of commodities at will, to dictate to the consumer what he shall consume, or, in short, to exploit the community as the indi-

vidual profiteer exploits it to-day." Under competition the "profiteer" can only "exploit the community" by selling it something that it chooses to buy. How the consumers are to express their wishes under the Guild system is not clear. Presumably it would be by the votes of the majority—a cheerful prospect for those who like their clothes and boots comfortable rather than fashionable, and whose taste in other things happens to be eccentric.

It is on the subject of the wage system that Mr. Cole is most interesting and illuminating. He tells us (page 154) that "the wage system is the root of the whole tyranny of Capitalism; . . . there are four distinguishing marks of the wage system upon which National Guildsmen are accustomed to fix their attention. Let me set them out clearly in the simplest terms.

"1. The wage system abstracts 'labour' from the labourer, so that the one can be bought and sold without the other.

"2. Consequently, wages are paid to the wage-worker only when it is profitable to the capitalist to employ his labour.

"3. The wage-worker, in return for his wage, surrenders all control over the organization of production.

"4. The wage-worker in return for his wage

202 THE CASE FOR CAPITALISM

surrenders all claim upon the product of his labour.

"If," Mr. Cole continues, "the wage system is to be abolished, all these four marks of degraded status must be removed."

Let us look at these "four marks of degraded status." The fact that a man's labour can be bought and sold without the labourer is surely some advance, as indeed is acknowledged by Guild Socialists, on what they call chattel slavery (as distinguished from wage slavery), under which the worker and his labour were sold together, like so many cattle. The fact that a man sells his labour apart from himself, if it be a mark of degraded status, is shared by the labourer with all brain workers and members of professions who sell their skill or their products to consumers. The fact that when I sell a copy of this book I do not sell myself to my readers at the same time, seems to me to be rather an advantage than otherwise, both to me and to them.

But in a sense every man's work is a bit of himself, he puts something of himself into it, and the economic arrangement has enormous advantages by which a worker can sell bits of himself, that is to say bits of his work, in exchange for bits of other people, and so

become, as producer and consumer, part of a great myriad-handed economic body in which all co-operate and contribute bits of themselves to the common good.

This system has infinite possibilities of harmonious development, but the modern fashion in thought seems to have decided that there is something radically wrong about it. Mr. Arthur Henderson, M.P., in a speech at an International Brotherhood Congress at the City Temple on September 16, 1919, stated that the workers wanted "a new method which would be based on the recognition of fundamental principles hitherto disregarded. Firstly, that human labour was not a commodity or article of commerce to be dealt with by the law of supply and demand as we now dealt with coal, or cotton, or iron ore, but it was that into which personality entered and through which personality was expressed." Can one with the best will in the world find any real meaning in this sounding phrase? Of course we all express our personality in our work just as in anything else that we do; but is that any reason why we should not exchange it for the work of others by selling it, and have it valued according to the extent to which others like it and want it, just as our other actions get social value from

the approval or disapproval of those whom they affect? The economic test of our work's value, like the social test of our other actions, is weakened by the bad taste and judgment of public opinion ; but can we find a better, without setting up an economic and moral tyranny, which, incidentally, is also quite likely to make bad mistakes ?

The second mark of degraded status is the fact that the wages are paid to the wage-worker only when it is profitable to the capitalist to employ his labour. This degradation is also shared by the labourer with all other workers, including even the capitalist who lends for present production the products of work done in the past. The doctor and lawyer who work directly for their consuming patients and clients, can only do so if they can find patients and clients to employ them. The capitalist can only get interest on his money when it is invested in profitable enterprises or in the obligations and loans of communities, Governments and municipalities, which are enabled, by the production of taxpayers and ratepayers, to raise the money necessary to pay the capitalist his wage.

The third mark of degraded status lies in the fact that the wage-worker has no control over

the organization of production—in other words, he is freed from the risk and responsibility of an extremely difficult and delicate business in which mistakes are often made causing loss to the capitalist, which the wage-worker is not asked to share. And the same thing applies with even greater force to the fourth mark of degraded status, the fact that the wage-worker surrenders all claim upon the product of his labour. He produces something which is only economically justified if somebody else wants it and will pay for it enough to cover the wages of the labourer and manager, establishment charges, depreciation of plant, and interest on capital. The business of selling the product is now recognized to be one of the most difficult and costly items in the business of production. If, as many besides the Guildsmen hope, the labourer proposes to undertake this very difficult job he can do it under the capitalist system and has already done it with marked success through his Co-operative Societies. Mr. Cole can hardly mean that the labourer, having been paid to make a suit of clothes, can then expect to keep it, but this is what the phrase rather seems to imply.

However, Mr. Cole has decided that these marks of degraded status must be removed, and

206 THE CASE FOR CAPITALISM

that National Guilds must therefore assure to the workers at least the following things (page 155):—

“1. Recognition and payment as a human being, and not merely as the mortal tenement of so much labour power for which an efficient demand exists.

“2. Consequently, payment in employment and in unemployment, in sickness and in health alike.

“3. Control of the organization of production in co-operation with his fellows.

“4. A claim upon the product of his work, also exercised in co-operation with his fellows.”

Very well then: what the National Guilds are aiming at is that everybody is to be paid merely because they are alive, and not because they are “mortal tenements of labour for which an efficient demand exists.” To those of us who suffer from the alluring but at present unprofitable habit of slothfulness this seems to be an extremely attractive programme. The right to be kept alive has of course been recognized grudgingly by the Poor Law for many centuries, but the Poor Law has doled out subsistence under conditions which are generally admitted to have been inhuman. Now, if the National Guildsmen reconstruct society,

everybody who is alive is to be made really comfortable, whether he or she works or idles; for presumably Mr. Cole when he says "payment" means the regular pay of the Guildsman. He does not deal with the delicate question as to whether this payment is to be made to those whose work is wanted, but who do not want to work, and here of course we come up against the great problem, whether under such schemes as these, anything like the same efficiency of work can be expected as is produced now by the system of private gain.

At present if a man will not work he has, unless he owns private means, to fall back upon the degradation of the workhouse, or outdoor relief, or lead a life of precarious penury. Would the ordinary average man, if the mere fact that he were alive gave him a claim apparently to full payment, trouble to work much? A large number of people work, and work very well, for the mere pleasure of working, apart from any question of payment. But as human nature is at present, it is safe to say that if the amount of work which everybody did were left to his own choice, and if everybody whether they worked or not, were to receive full payment out of the common fund of production, any such fund would dwindle so rapidly that

208 THE CASE FOR CAPITALISM

the community would find itself on short commons. In other words, before the National Guilds could be efficient as economic forces for satisfying the wants of men, we should have to have a new spirit and a new heart at work among us. This Mr. Cole himself acknowledges, for he says on page 105: ' Nothing is more certain than that both State and Trade Union if they are to form the foundation of a worthy Society, must be radically altered and penetrated by a new spirit.'

And on page 9 he observes that "in a sense, the war has led men of all classes to make sacrifices ; but emphatically it has not led, among the possessing classes, to a change of heart which will bring nearer a Society based on human fellowship."

So the possessing classes, in Mr. Cole's view, have still got their old bad hearts. Has there been that change of heart necessary for bringing nearer a Society based on human fellowship among the working classes? We seem to have heard of disagreements between various trade unions and between the different classes of workers. That such things should arise under the strain of a war was most natural and inevitable, but they certainly show that we have a long way to travel before the right of recogni-

tion and payment for all as human beings, such payment being apparently the same for those who work and those who do not, would not be a very severe strain upon the economic efficiency of the community.

And now let us see how, according to Mr. Cole, this great reformation is to be carried out. He tells us on page 117 that "out of the Trade Unionism of to-day must rise a Greater Unionism, in which craft shall be no longer divided from craft, nor industry from industry. Industrial Unionism lies next on the road to freedom, and Industrial Unionism means not only 'One Industry, One Union, One Card,' but the linking up of all industries into one great army of labour. . . . The workers cannot be free unless industry is managed and organized by the workers themselves in the interests of the whole community."

"In the interests of the whole community" seems to be slightly inconsistent with the ideas put forward in other parts of Mr. Cole's book. We have seen from quotations given above that the workers are to organize industry, the interests of the community being looked after by the State, the State being considered as merely a "functional association," whatever that may mean. But now the workers are suddenly

210 THE CASE FOR CAPITALISM

told to organize themselves in the interests of the whole community, though a few pages later (page 121) we find that "we can only destroy the tyranny of machinery—which is not the same as destroying machinery itself—by giving into the hands of the workers the control of their life and work, by freeing them to choose whether they will make well or ill, whether they will do the work of slaves or of free men."

The first step is the building up of an organization capable of assuming control (page 134). "All workers in or about mines must be in the Miners' Union, the whole personnel of the cotton mills must be in the Union of the Cotton Industry. A body consisting of clerks or mechanics or labourers drawn from a number of different industries can never demand or assume the conduct of industry. It can secure recognition, but not control. A Postal Workers' Union or a Railway Union, on the other hand, can both demand and secure producers' control." Here we have the chief item on the practical side of this most interesting scheme. The Unions are to include all the workers, clerks, mechanics and labourers connected with every industry, and will then take charge and deal with the capitalist.

"The wage system (page 162) must end with

a re-integration, with the placing in the hands of all of both capital and labour. In order to bring this about, the wage-earning class must assume control of capital."

Does this mean that the wage-earning class is going to take forcible possession of the factories and plant which capital has provided? On this point, Mr. Cole does not make himself clear. "This control," he goes on, "under National Guilds, will be exercised collectively, through the State," but he leaves us in the dark as to how the State is going to get control.

In another passage (page 173) he says: "We in our day and generation shall succeed in overthrowing industrial Capitalism only if we first make it socially functionless. This means that, before Capitalism can be overthrown, there must be wrested from it both its control of production and its control of exchange. This done, the abolition of its claim to rent, interest and profits will follow as a matter of course." Further (page 182), "let us suppose for a moment that the Jeremiahs are right in denying the possibility of destroying the economic power of Capitalism by any combination of industrial and political action. There remains the weapon of catastrophic action, envisaged generally in the shape of the General Strike."

212 THE CASE FOR CAPITALISM

Later, on page 189: "Industrial action alone cannot destroy profits, or even lower them, unless it can overthrow the whole capitalist system. This, we have seen, cannot be done purely by industrial power." The ordinary reader is left wondering what all this means. If the workers can themselves supply the managing ability that controls production and exchange, they will have made the present manager and organizer "socially functionless." But they will only inflict the same fate on the capitalist if they either seize the plant and tools that he provides or make their own and become capitalists themselves. The suggestion of "catastrophic action" looks as if the former method were contemplated, and on this point we get rather more light from other Guild Socialists, whose works will be considered in the next chapter.

CHAPTER X

THE GUILD PROGRAMME

WHEN we turn to the *National Guilds ; an Enquiry into the Wage System, and the Way Out*, by A. R. Orage, or by S. G. Hobson, edited by A. R. Orage, we find very much the same point of view as Mr. Cole's, but a different method of approach. It deals with the problem of reforming our economic system with the jovial cheerfulness of a Newfoundland puppy worrying a door-mat. It starts with the assumption which we have found to be common to so many of the people who want to turn society upside down, that labour at present produces everything that is produced and is robbed of a large part of its product by buccaneers who exploit it, and that it is therefore labour's duty to deal with the robbers as robbers should be dealt with. Here is an example both of the style of this book and of the methods which it advocates (page 5): " Labour must realize that its emancipation can only become possible when it has absorbed every shilling of surplus value. The way to do this is by tireless and

214 THE CASE FOR CAPITALISM

unrelenting inroads upon rent and interest. The daily and weekly Socialist bulletins should tell, not of some trivial success at a municipal election, or of some unusually flowery flow of poppy-cock in Parliament, but of wages so raised that rent-mongers and profiteers find their incomes *pro tanto* reduced. And there is no other way. Profits are in substance nothing but rent. Rent, whatever its form, reduced to its elements, is nothing more and nothing less than the economic power which one man exercises more or less oppressively over another man or body of men. Destroy the power to exact rent and *ipso facto* rent is destroyed. This is the only way of salvation, of emancipation—the only possible release from bondage." Here we find the assumption that surplus value is produced by labour and absorbed by somebody else. In fact, as we have seen in our analysis of the previous chapters, labour produces surplus value with the assistance of management, materials and tools, which are supplied to it by other people, and takes a large part of that surplus value for itself, since its own product, if it had not this assistance, would be nothing but what it could gather in the woods or scrape 'out of the ground with its finger-nails.

In their contempt for the State Socialists, the present writers are just as earnest as Mr. Cole, and express themselves still more vigorously : "Is it any wonder," they ask (page 16), "that politics now stink in the workman's nostrils and that he has turned firmly to 'direct action' ? Had a living Socialist Party found itself in Parliament, instead of the present inert Labour Party, led by charlatans and supported by Tadpoles and Tapers, the energies of Labour might possibly for a slightly longer period have been fruitfully employed in the political sphere." And on page 20 we find that "the Independent Labour Party exemplifies these good and bad qualities. . . . Not an idea of the slightest vitality has sprung from it, its literature is the most appalling nonsense, its members live on Dead Sea fruit. The joyous fellowship which was its early stock-in-trade has long since been dissipated ; the party is now being bled to death by internal bickerings, dissensions and jealousies. It is the happy hunting-ground of cheap and nasty party hacks and organizers, who have contrived to make it, not an instrument for the triumph of Socialism, but a vested interest to procure a political career for voluble inefficient."

Such is the spirit in which the Guild cham-

216 THE CASE FOR CAPITALISM

pions deal with the work of those who have gone before them in the effort to improve the lot of the wage-earner. Does it promise well for harmony and team-work on the part of the Guilds, if they should be established?

Like Mr. Cole, the writers attach great importance to the distinction between wages and pay. It is really very difficult for the uninstructed outsider to understand this fine metaphysical distinction. It would seem at first sight that as long as a man receives money, to be exchanged into goods and services, for work which he renders to the community, no very far-reaching revolution can be achieved by calling it pay instead of wages. However, there evidently is some really essential distinction since the high-priests of the National Guilds lay so much stress upon the matter. Let us quote these writers again (page 80):—

“The bulwark which protects surplus value from the wage-earner, which secures it to the *entrepreneur*, is the wage system. That is why it must be abolished. Now let us suppose that the work of the London docks were done, not by more or less casual wage slaves, but by a properly organized and regimented labour army, penetrated by a military spirit attuned to industry.”

THE GUILD PROGRAMME 217

It may be observed by the way that after Mr. Cole's vigorous protest against the "regimentation" involved by State Socialism, it is rather sad to find these authorities on National Guilds, striving after a properly organized and regimented Labour army. "Do soldiers receive wages?" they continue (page 81): "No, they receive pay. 'But,' cries the practical man (and possibly even Mr. Sidney Webb), 'what earthly difference is there between wages and pay?' Let us see. The soldier receives pay whether he is busy or idle, whether in peace or war. No employer pays him. A sum of money is voted annually by Parliament to maintain the Army, and the amount is paid in such gradations as may be agreed upon. Every soldier, officer or private, becomes a living integral part of that Army. He is protected by military law and regulations. He cannot be casualized, nor can his work, such as it is, be capitalized. 'The spirit that pervades the Army is, in consequence, different from the spirit that dominates wage slavery.'"

Here then we find the real difference between wages and pay. The pay is voted by Parliament and granted to the worker, whether he is busy or idle. This is the same view as was expressed by Mr. Cole when he spoke of

218 THE CASE FOR CAPITALISM

"recognition and payment as a human being, and not merely as the mortal tenement of so much labour power for which an efficient demand exists." Once more we have to ask, would such a system of payment produce good work? I once heard this question raised before an audience that knows more than anybody else about the answer. It was when I was lecturing at the back of the front in Belgium in March 1918. My subject was National Finance, but in the discussion which followed, this point about wages and pay was introduced by a private who appeared to be a disciple of the Guildsmen. Why, he asked in effect, cannot wage-earners be paid just as soldiers are paid? I answered that it was not quite evident that in ordinary life we should get good work by this system. "Everybody knows," I said, "how you soldiers work when you are fighting, but when you go out to do fatigue work"—and a roar of laughter from the rest of the audience made the roof of the big hut ring, and left no more for me to say.

As it happened I had been reading Mr. Orage at home not long before, and had pointed out his remarks about the spirit of the Army to an officer just back from the front; he observed that anybody who had seen soldiers

doing any fatigue job would know that at least three times as much work would be done by wage-earners under civilian conditions. If then the workers worked with the fatigue spirit of the Army instead of the battle spirit, there would be an awkward dwindling in the funds out of which their pay could be annually voted by Parliament. Parliament might vote the money, but unless goods and services were turned out, that money would be worth only scraps of paper. Moreover, the soldier is not only "protected by military law and regulations," he is also bound by them and liable to very severe penalties if he breaks them. Is industrial militarism really the ideal of Messrs. Hobson and Orage?

They go into more detail than Mr. Cole in reference to the arrangements under which the workers would be paid. On page 146 we find that "once a member of his Guild, no man need again fear the rigours of unemployment or the slow starvation of a competitive wage. Thus every transport worker, providing he honestly completes the task assigned him, will be entitled to maintenance—a maintenance equal to his present wage, plus the amount now lost by unemployment, plus a proportion of existing surplus value—that is, plus his

present individual contribution to rent and interest; and, finally, plus whatever savings are effected by more efficient organization. He will not, therefore, receive wages (as we now know them), because he will receive something much greater—possibly three times greater than the existing wage standard.”

Here we find two difficulties. “Once a member of his Guild”—one is brought up by the question, how will membership of these Guilds be arranged? At present people do have more or less choice of the kind of occupation in which they will spend the working part of their lives. In the case of most of us, it is true, economic fate or hazard marks out some course for us, and in most cases the choice, such as it is, is made long before we can be said to have minds to make up on the subject, and still longer before we have sufficient experience and knowledge to exercise the choice well. Nevertheless, some choice there is, and it is possible and does happen, that people who have made a wrong choice, or think so, can later in life change from one occupation to another. But how much freedom would these organized and regimented Guilds allow to any aspiring youth who wanted to become a member, and by what methods and

by whose decision would the difficult question be solved as to the entry of the young workers into the different lines of occupation?

These questions clearly involve endless possibilities of friction. They are faced in a book called *The Meaning of National Guilds* by C. E. Bechhofer and M. B. Reckitt who show more capacity than other Guild champions for seeing practical details and trying to deal with them. On page 310 they say that "each man will be free to choose his Guild, and actual entrance will depend on the demand for Labour. In fact the principle will be that of first come, first served. In the event of there being no vacancy, it will be open for the applicant either to apply for entrance to another Guild, or during his period of waiting to take up some occupation of a temporary character. . . . Labour in 'dirty industries'—scavenging, etc.—will probably be in the main of a temporary character, and will be undertaken by those who are for the time unable to obtain an entry elsewhere."

This is all very sensible and practical, but it is not a very comfortable prospect for the aspiring Guildsman. If he has to wait till he is wanted, where is his freedom to choose his Guild? He will be no better off in this

222 THE CASE FOR CAPITALISM

respect than he is now under capitalist tyranny, and will find himself in the meantime relegated to a drain-cleaning job. Moreover, the same authorities tell him that in extreme circumstances, a Guildsman will be liable to expulsion. And what will become of him after that?

Again we find that according to Messrs. Hobson and Orage every worker would be entitled to maintenance, "providing he honestly completes the task assigned to him." Who is to decide concerning the honesty of the completion of the task? Presumably the decision will be arrived at by the Guild officers elected by the workers. And here again we see the possibility that those Guild foremen will be most popular, and therefore most likely to be elected, who will take the most lenient views concerning the honesty of the work done by the Guildsmen. Whether this system will be conducive to brisk production can only be very seriously doubted, and we are left wondering what is going to happen to the unfortunate worker, who justly or unjustly is condemned as not having honestly completed the task assigned to him. Apparently in this case he will not be entitled to maintenance. If so, what becomes of that most attractive arrangement under which the National Guilds are

to assure to the worker recognition and payment as a human being, and not merely as the mortal tenement of so much labour power for which an effective demand exists? Such, combined with the right "to make well or ill," was Mr. Cole's ideal, but Messrs. Hobson-Orage are only going to assure the worker payment, not even as the tenement of labour power, but as an honest and efficient producer of it. But they go on to strike a loftier note and to say that (page 147) "after all maintenance is not the only consideration in life." This is very true, but without a certain amount of it life is impossible. In fact they seem to expect that, under the Guild system, hard times may have to be faced and that nobody will mind. On page 111 we read: "Nobody doubts that the majority of wage-earners would be willing, any one of them at any moment, to exchange their position as wage-earners for the position of economic independence, even if this latter involved a permanent reduction of financial income;" and on page 113: "We may find ourselves, in fact, if we abolish wage slavery, worse off than we are now."

If the wage-earners got real freedom, probably many of them might be willing to be worse off. But it has been shown that

224 THE CASE FOR CAPITALISM

under the Guilds their freedom would still be qualified by the limits that are imposed on that of all of us who work for others, who work for us. And if a lower standard all round is to be the result of the Guild system, it clearly will not lead us to the better world that can only be won by hard and efficient work, and a greater output of material goods, giving us a chance of winning goods that are more important.

Moreover, from page 136 of the same book :
"Even if the process of wage approximation goes much further than we now foresee, it is nevertheless inevitable that graduations of position and pay will be found necessary to efficient Guild administration. We do not shrink from graduated pay ; we are not certain that it is not desirable. There will be no inequitable distribution of Guild resources, we may rest assured ; democratically controlled organizations seldom err on the side of generosity. But experience will speedily teach the Guilds that they must encourage technical skill by freely offering whatever inducements may at the time most powerfully attract competent men. There are many ways by which invention, organizing capacity, statistical aptitude or what not may be suitably rewarded. It is certain that rewarded

these qualities must be." So that even under the Guilds there are to be considerable differences in the rates of the reward given to various kinds of workers. This admission is of course entirely sensible and encouraging for the future efficiency of the Guilds if ever they come into being. At the same time it opens the door to a good deal of possible friction and jealousy, seeing that the rates of pay will have to be decided by officers elected by those who are going to receive the payment. And further, is it not an abandonment of the whole ideal under which the labourer is supposed to receive the whole of what he produces? If "organization, invention, statistical aptitude or what not" are to be suitably rewarded, are not the Guilds, as private capitalists are alleged to do now, going to compel the worker to produce surplus value, which he will not be allowed to consume?

However, such is the robust belief of these writers in the perfection of the natures of everybody who belongs to a Guild, that they remark on page 148: "Nor need we shrink from the further conclusion that the appointment of a hierarchy involves a suitable form of graduated pay. . . . In this connection, we pin our faith to the democratic idea without reserve. We believe the workman is the shrewdest judge of

226 THE CASE FOR CAPITALISM

good work and of the competent manager. Undistracted by irrelevant political notions, his mind centred upon the practical affairs of his trade, the workman may be trusted to elect to higher grades the best men available. In the appointment of their check-weighmen, for example, the miners almost never make a mistake. Doubtless injustices will from time to time be perpetrated ; but they will be few compared with the million injustices done to-day to capable men who are habitually ignored in the interests of capitalist cadets." This pleasant trusting faith, which imagines that because workmen can elect capable check-weighmen, they will also be able, without any further education or experience, to choose the right people to manage the whole organization of industry, is a pleasing spectacle in these cynical, sceptical days, and one would be sorry to disturb it. But it must be observed that the higher rates of pay to be granted to this "hierarchy," and also to "inventive organizing capacity, statistical aptitude, or what not" will make a big hole in the whole of the produce. If, as quoted above, labour's emancipation can only become possible when it has absorbed every shilling of surplus value, its emancipation will still be remote, when all these highly paid

statisticians and hierarchs are exacting what will look very much like rent, as defined by our authors in the same passage. If the capitalistic manager's salary is only to be replaced by the Guild hierarch's higher pay, will the difference be really essential? Every one who has read Dumas remembers how Chicot the Jester induced Frère Gorenflot to eat a fowl on Friday by making him christen it a carp. But Gorenflot wanted to eat the fowl and was quite ready to be humbugged. Will that very shrewd person, the British wage-earner, be equally ready to be duped by a change of name, when he is asked to hand over "surplus value" to hierarchs instead of managers?

Messrs. Hobson-Orage admit frankly the likelihood of strife between the various Guilds. "We may expect," they say (page 228), "dissatisfaction among the weaker Guilds when the stronger from time to time impose their wills, that is, in the last resort, exercise their 'pull.' In what direction, then, can we reasonably anticipate dissatisfaction, followed by strenuous agitation for rectification? Primarily, we imagine in the value each Guild sets upon its own labour, which may be disputed by the other Guilds. In our chapter, 'The Finance of the Guilds,' we remarked that in the earlier

228 THE CASE FOR CAPITALISM

stages the more highly-skilled industries would insist upon a higher value being attached to their labour than to the labour of the so-called 'unskilled' groups. . . . This struggle, too, will be waged inside the several Guilds as, for example, between the fitter and his labourer, both members of the same Guild, or the mason and his labourer, also members of another Guild. But the domestic arrangements of the Guild do not concern us here; it is when the Guilds, as such, come to grips with other Guilds to establish the general value of their respective work and functions that the main battle will be joined. Thus, agriculture is now poorly paid. . . . But the agricultural Guild " [as arranged by the writers in the imaginary group of Guilds which they have produced] " is numerically the strongest of them all. May we not then expect strong action by that Guild for a revaluation of agricultural work and products? . . . Will the claim for a higher valuation of agriculture, both in its actual products and as a supremely important element in our national life, be met by the other Guilds in a niggling or in a generous spirit? In this connection it is well to remember that even during the past decade, extremely acrimonious disputes have arisen between existing trade unions, notably as to

delimitation of work, and if such large questions were to be settled in the same spirit, it would prove of ill-omen to the future greatness of the Guilds. But the Guilds, as we have pictured them, are not the existing unions, but the unions plus the practical intellectuals, the labour and brains of each Guild naturally evolving a hierarchy to which large issues of industrial policy might with confidence be referred."

If the practical intellectuals are to include such exponents of Guild doctrine as Messrs. Cole and Hobson-Orage, the specimens which have already been quoted of their dialectical methods and their controversial geniality seem to promise that the world of the National Guilds will have a pleasant resemblance to Donnybrook Fair. Messrs. Reckitt and Bechhofer in their book already referred to dealt with the question of inter-Guild strife as follows (page 325). "A query often brought to confound National Guildsmen is this: What would happen to a National Guild that began to work wholly according to its own pleasure, without regard to the other Guilds and the rest of the community? We may reply, first, that this spirit would be as unnatural among the Guilds as it is natural nowadays with the present anti-communal capitalist system of industry;" [but

230 THE CASE FOR CAPITALISM

it may be observed that any anti-communal capitalist who nowadays worked wholly according to his pleasure without regard to the rest of the community would very soon be bankrupt, because the rest of the community would not buy his goods]. "Secondly, if it did arise in any Guild, this contempt for the rest of the community would be met by the concerted action of the other Guilds. . . . A Guild, however, that thought itself ill-used by its fellows would be able to signify its displeasure by the threat of a strike; but it is to be hoped that there will be sufficient machinery for the successful settlement of inter-Guild dealings that occasion for this would seldom arise."

But a still more serious source of inter-Guild friction is suggested by the latest book on the subject, *The Guild State* by G. R. Stirling Taylor, which appeared in the autumn of 1919. This writer actually suggests competition between the Guilds. This seems to be quite contrary to the doctrines of the earlier champions who, unless I have altogether misunderstood them, intended the Guilds to cover the whole of the industry concerned. "The Guild," said Messrs. Hobson-Orage on page 132, "means the regimentation into a single fellowship of all those who are employed in any given industry."

THE GUILD PROGRAMME 231

Mr. Cole told us (page 132) that "only an Industrial Union, embracing the whole personnel of an industry, can assume control over that industry." This seems to be an essential part of the whole scheme. But now comes Mr. Stirling Taylor and observes (page 95) that: "Surely there will be many advantages, if just a healthy competition—and not more than healthy, remember—can be maintained in a town between, for example, a reasonable number of competing bakers' Guilds."

There certainly will be many advantages to the consumer, but this new element in the Guild State seems to upset the whole structure that has been built up by its former advocates. What becomes of the control of production and its product that Mr. Cole believes to be necessary to the worker if he is to be set free from his "degraded status," if the Guilds have to compete for the custom of the consumer by producing what he wants in competition? What becomes of the workers' right of choosing "whether they will make well or ill"? Under competition the consumer prefers things that are made well, if he is able to distinguish them. Once more we are left wondering what it all means.

Finally let us see how the Guildsmen pro-

232 THE CASE FOR CAPITALISM

pose to deal with the capitalist, the man who owns the plant and takes the risk of productive failure. He is just to be relieved of his property, and Messrs. Hobson-Orage call attention to the great advantage of this plan over that of the State Socialists, whom they credit with the intention of buying him out. On page 179 of their book they set out the advantage in the form of an equation as follows :—

“Cost of production under State Socialism = raw material + standing charges + rent + interest + profits + increased wages. Cost of production under Guild Socialism = raw material + standing charges + pay.”

And on page 240 they develop Mr. Cole's suggestion of “catastrophic action or general strike” in detail in the form of a dialogue between a Guild deputation and the Chairman and General Manager of a large industrial enterprise that divides £100,000 a year amongst its shareholders. The deputation admits that the company pays standard rates of wages, but says it has decided that the men shall no longer work on a wage basis. In the first place, the men now on the pay-rolls must continue there whether there is work for them or not. The Guild is going to “assume partner-

ship" in the business, supplying the labour and taking half the profits. In five years' time, it intends to take another slice of the profits. It asks whether the shareholders would rather have £50,000 or nothing? When the General Manager raises the question of the future supply of capital, the deputation airily observes: "Come to us and we will arrange it. You will find us as partners, always glad to co-operate," and ends the discussion, which goes on for some pages, by saying: "By all means call together your shareholders, but you, of course, understand that we are quite indifferent what they say or do. Unless our proposals are accepted in a month, we shall close down your works."

At the end of this passage the writers remark, with perhaps pardonable pride, that "Samuel Johnson always 'gave the Whig dogs the worst of it,' and perhaps in this discussion we have given the exploiters the worst of it." By the exploiters they presumably mean the Chairman and General Manager representing the owners of the factory. What the deputation practically says is that they mean to take from the owners of the factory the interest and profit to which they are entitled in return for its use in production. One wonders what would happen if the Chairman and General Manager

234 THE CASE FOR CAPITALISM

were to answer, as they most probably would :
“Very well, you are going to make terms on which it is impossible for our shareholders to receive any interest or dividends on their undertaking; we cannot accept these terms, and we will dispense with the services of those whom you represent until they are ready to work at the union rates which we have always paid.” Would the capitalist be altogether helpless? It might not be safe to be quite certain that he would. On a later page (282) the writers ask: “Falling back upon their undoubted legal rights to the instruments of production and distribution, what could they (the profiteers) do?” But with astonishing inconsistency they suggest that: “In exchange for their present possession of land and machinery, the State might give them, as rough-and-ready justice, an equitable income either for a fixed period of years or for two generations.” Then what becomes of that beautiful “equation” showing the advantage of Guild over State Socialism? And in any case, when the existing capitalist has been dealt with, the Guilds will have to provide fresh capital, and will have to pay for it. The capital goods—machinery, etc.—needed by the Guilds will have to be made by somebody who will have to be supported and sup-

plied with material out of "surplus value." And, if there is to be any progress, risks will have to be taken with experiments, and some one will have to pay for failures. Capital, as always, will have to be paid its wage—or receive its pay.

Such is the tissue of inconsistencies and difficulties that is involved by the system of National Guilds as so far expounded. The evident sincerity and earnestness of its advocates cannot blind us to the fact that their scheme has not yet been thought out in a workable shape, and that, as they themselves acknowledge, it might lead to a lowering of the workers' standard of comfort, while it is hard to see that they would gain any real increase of freedom. That it might also result in serious disputes and disagreements, both within and between the Guilds, is admitted by its advocates; and the temper in which they flout the work and efforts of the older Socialists and others who are trying to improve the lot of the wage-earners by other methods makes one doubt whether they have it in them to put forward a great and sound reform. Such work is not often done in such a spirit.

CHAPTER XI

CAPITALISM AND FREEDOM

IN putting the case for Capitalism in the foregoing chapters, I have by no means meant to argue that it is the best possible economic system, only that it has worked wonders, and can work still better wonders in the future and that we cannot be sure that any other system that has yet been suggested will do as well. I have tried to show that under it the capitalist—the man who owns the plant and material and takes the risk of enterprise—does not rob the wage-earner of “surplus value” created by the latter, because the surplus value is due to the existence of the plant, and is shared by the wage-earner through the far better standard of life that the equipment of industry has enabled him to secure. Without the plant, the labourer could only supply himself with a bare subsistence, if that. It is true that most of the plant has been made or put where it is wanted by the manual

effort of wage-earners, but this was only possible because wage-earners were paid to do so, under direction supplied by capitalists, by capitalists who thereby, instead of spending their incomes on immediate enjoyment, invested part of it, always with more or less risk, in furnishing industry with equipment for an ever-expanding output, so creating surplus value not only for themselves, but for the whole nation, and for the whole economically civilized world.

By making this investment and taking this risk, and applying labour under expert direction to the task of providing industry with plant in the widest sense of the word, Capitalism has made an enormous increase in population possible, and has put control over the forces of Nature into the hands of active enterprising venturers who certainly might have made better use of it, but have this excuse, that they were bound, in their search for profit, to work to meet the demand of the average consumer, whose quaint foibles in the matter of demand have resulted in the production of a great deal of ugliness and rubbish. But in spite of all that the fastidious may urge, on artistic, moral and common-sense grounds, against the use that has been made under

238 THE CASE FOR CAPITALISM

Capitalism of the new powers which the Industrial Revolution has given to man, there is plenty to be said on the other side of the account. We have done things worth doing under Capitalism. Sir Leo Chiozza Money in an article in the *Observer* of November 23, 1919, told us that: "With coal we create an export surplus of manufactures; with that export surplus we purchase food and materials to feed our population and our factories, and thus obtain the means to create a further export surplus to import more food and materials. This process, continued during a period of five generations, changed the poor and backward agricultural Britain of 1750 into the comparatively wealthy State which found, at the opening of the nineteenth century, the means to fight Napoleon, and, a century later, the means to destroy German militarism."

It is only fair to Sir Leo to observe that he, being a convinced and earnest Socialist, doubtless believes that economic progress would have been much greater and better under some form of Collectivist management than it has been under Capitalism. And he may be right. But, as Aristotle says, "the fact is the starting line," and the fact is that these things were done under Capitalism, and that under it, as

shown on a previous page,¹ many millions of people were born and lived a life that had a good deal of comfort and jollity, and a certain amount of real nobility mixed up in its queer salad-bowl, who never would have seen the light without the industrial development that was in fact worked out under Capitalism. Far from robbing anybody of surplus value, Capitalism is like a benevolent ancestor who, instead of consuming all the port that he could get—as some ancestors did—laid down an enormous cellar of it for the use of future generations. And every one who is now alive in this country, and millions abroad likewise, are now able to help themselves to bottles of the grand old vintage then laid down and now ready for us, crusted, fruity, full of ripe flavour and rich bouquet. For none of us could have been so well off, and many of us could not have been born at all, if Capitalism had not done this deed, and done it judiciously and well. We all thus drink of the bottles laid down by those who went before us, those of us who work, because our work could not have been so well rewarded if we had not been members of a productively efficient community, those who cannot, will not, or do not work,

¹ Page 114.

240 THE CASE FOR CAPITALISM

because it would not have been possible for our needs to be provided as well as they are now. That some people have access to some of the bottles as a matter of legal right, is only because this privilege has been handed on to them by those who laid down the cellar. If we took their right away, there would be a few more bottles for the rest of us while the cellar lasted, but would the process of laying down for those who come after us be likely to continue on this voluntary basis? It would most probably have to be done by officials or Committees. Their efforts might appear at first sight to be cheaper than those of the private benefactor, who took a consideration for his forethought when he could earn it, but might cost the community dear in the long run if they laid down the wrong vintage or were too timid to try new brands.

Such is the debt that all of us owe to the capitalists of the past. But when we have taken off our hats to them and acknowledged it, we have to give our minds to reforming and improving the Capitalism of the present.

In our studies of the schemes that have been put forward for improving the economic system, we have found many aspirations that were highly desirable if they could be made into

CAPITALISM AND FREEDOM 241

practical facts, but did not seem likely to be carried out by the proposed reforms, or only at the cost of loss of efficiency in output. First among these comes the desire for economic freedom. Most of us will admit that freedom is the most precious jewel that we can gain, and that without a certain amount of it no one's mind and character can achieve real growth, any more than his legs can grow if they are encased in plaster of Paris. Economic freedom means to most of us freedom to work or not to work, or if we do work, freedom to work to please ourselves and not at the bidding of anybody else. In this sense it is not possible to the great majority of mankind because we all have to work unless we can induce somebody else to keep us alive, and the work that we do has to be pleasing to somebody in order to make him give us in return for it the money with which, by our choice of the goods that we buy, we exercise control over the work of others and make them turn out things that we want. In other words, we sacrifice freedom as producers in order to increase our freedom as consumers.

A few can induce others to keep them alive, and in some cases exceedingly comfortable, by the claims that they exercise as hereditary

242 THE CASE FOR CAPITALISM

owners of the equipment of industry in the widest sense of the phrase, including land. A few others can do it by appealing to the community's sympathy owing to physical and other inability to work. Most of us have to work, and to please others by so doing. If we lived in a wilderness and worked only for ourselves, we should still have to work, but only to please ourselves. Our control of goods would thereby be very greatly lessened, and would economic freedom, so gained, be really good for us? Is it not better that we should be forced to co-operate in order to enjoy, and to secure a good life for ourselves by helping to provide what others want? Those of us who take this democratic view must be ready to be bludgeoned with examples of the great artist prostituting his brush to boil his pot, and of the poet who starves because an ignorant public does not want the sonnets that the Muses bid him sing. These are special cases of special gifts, and one cannot feel sure that the artist or the poet would fare better at the hands of a Socialist Treasury Committee or of an Academy appointed by the Guildsmen. But for the ordinary workaday goods of life, there seems to be something pleasant and really "social" and sociable in this dependence on

CAPITALISM AND FREEDOM 243

the judgment of others on our work; and a restriction of economic freedom that makes everybody work to please others, is very similar to the restriction on social freedom, which only allows people to do as they please as long as they obey the laws of the community, and do not allow their liberty to be a nuisance to others and a restriction on theirs.

If the decision about what is to be produced, and whether it is well produced, is left to the producers, it seems unlikely that the goods turned out will maintain so high a standard as when they have to pass muster before the consumer before they can earn any reward. And yet such seems to be the ideal of economic freedom aimed at by some at least of the Guildsmen, for we saw that Mr. Cole maintained that the workers must be free "to choose whether they will make well or ill."

To this extent, then, it seems that economic freedom must be limited, if we are to secure efficiency in production and freedom for the consumer to choose what goods he will enjoy. And since, as has already been pointed out, we most of us produce only one, or only a fraction of only one, thing, and consume thousands of things, our freedom as consumers seems to be much more precious than our

244 THE CASE FOR CAPITALISM

freedom as makers, doers and growers of goods and services.

But when the need for this limitation is granted, there is a great range of economic freedom left, in respect of which Capitalism can contend that it confers at least as much as any other possible system that has yet been suggested.

With regard to the consumer's freedom, it beats State Socialism and Guild Socialism so hollow that they are hardly to be seen on the course. Under State Socialism, carried to its logical conclusion, the consumer's freedom, and the producer's likewise, does not even "Also Run." Bureaucrats will decide who is to produce what; and the consumer will take what is produced, on a rationing system with all its exasperating apparatus, or leave it. Mr. Cole paints too flattering a picture with his naughty but amusing jeer, when he says (*Self-Government in Industry*, page 122), "the greatest of all dangers is the 'Selfridge' State, so loudly heralded these twenty years by Mr. 'Callisthenes' Webb." Mr. Selfridge gives his customers plenty of choice, and with the help of the adroit Callisthenes invites them to come and choose. Mr. Sidney Webb, with scientific and kindly benevolence, would order our lives

for us much better than we could, but they would lose all their zest because they would no longer be ours.

Under Guild Socialism either, according to Mr. Cole, the producers are to have the choice whether they will "make well or ill," or according to others the interests of the consumers are to be represented by apparently elected bodies which will leave little chance to those with eccentric tastes, or according to Mr. Stirling Taylor there is to be inter-Guild competition, which will give the consumer a chance, but seems to wreck the whole Guild fabric, which appears to be frankly based on monopoly.

Under Capitalism, as long as there is free competition, the average consumer decides what is to be produced, and the wishes of minorities are readily met as long as their demand is great enough to stimulate production to meet them. But is not the consumer's freedom to some extent threatened under Capitalism by monopoly, or at least by attempts in its direction on the part of trusts, "combines," amalgamations, rings, and "gentlemen's agreements"? If Capitalism plays this game, it will simply weave for itself a rope with which it will be hanged, and rightly, as high as Haman.

246 THE CASE FOR CAPITALISM

Monopoly has stunk in English nostrils since the days of Elizabeth, and if Capitalism tries to impose it now, it is committing suicide and asking for State Socialism. It is true that under State Socialism monopoly would be more tyrannous than under private enterprise, because since the Government would itself be the monopolist, the helpless consumer would have no official stick to lay across the back of it. But if there is to be monopoly, it will be easy for Socialists to persuade the public that in the hands of the State the monopoly would create profits, not for a profiteering octopus, but for the general good. Already Mr. Sidney Webb has made the recent bank amalgamations, though they are far from having set up any real approach to monopoly, a text for an adroit and ingenious sermon on the need for State banking, in an article on "How to Prevent Banking Monopoly," in the *Contemporary Review* of July 1918.

In fact, if the movement in favour of nationalization triumphs and proceeds to its logical conclusion, the end of the system of private Capitalism, it will be an interesting inquiry for the economist of the future to consider, how much was done by private capitalists and the property owning classes to kill a system

which might, if more sensibly developed, have enjoyed a much longer life. The stupid financial policy of belligerent governments during the late war has given a great opportunity to the enemies of Capitalism by debauching the currency, pouring fortunes into the pockets of shareholders and adventurers through the consequent rise in prices, and so stirring up unrest and suspicions of "profiteering." Mr. Keynes, who develops this theme with brilliant lucidity in his book *The Economic Consequences of the Peace*, observes (page 222) that "perhaps it is historically true that no order of society ever perishes save by its own hand." But for this breach in the walls of Capitalism, private capitalists, as such, are not alone responsible; it was made rather by the politicians of their class whom the wealth that they created enabled to serve their country according to their lights, with results that are now plainly to be seen.

In other corners of the economic field, however, capitalists have themselves worked hard to weaken their own position. By continually resisting the claims of the wage-earners for higher wages on the ground that industry could not stand them, when subsequent experience proved that it could, they have

248 THE CASE FOR CAPITALISM

done much to embitter the mind of the workers, and to teach them to believe that they could only get what was their due from the State. By their action in the matter of piece-rates they have helped to increase the prejudice among the workers against being paid on this system, and so have done much to produce that deadly view, so fatal to efficient production, that the best workers should limit their pace to that of the average or of the worst.

It was no inherent wickedness that led them to make these mistakes. They were quite ordinary human beings doing their best according to their lights. But they looked to the interest of the moment, and their mental horizon was bounded by the date of their next balance sheet. If they had looked further ahead they would have seen that it would pay them well in the long run to pay, not the lowest wage at which they could get their work done, but the highest that their business could stand ; and that if a man earned much at piece-work that was not a reason for cutting down the piece-rate, but for encouraging him to make more. They have been very conscious of the fact that they risk their money. Have they always remembered that some of the worst-paid wage-earners risk their lives ?

Again, there has been unnecessary reluctance on the part of the capitalist in publishing full and candid statements of the financial position of his business. The accounts issued by public companies often seem to be arranged to give as little information as possible. There is much excuse for this attitude owing to the desire to limit the power of possible competitors to pry into matters that it is more pleasant to conceal. On the other hand, it would be an immeasurable advantage if the workers in an industry could be shown more clearly how it is faring on the financial side, and if the problems that its managers have to deal with were put before them in a way that they can understand. By this system it is possible that very practical suggestions of great value might be made by the wage-earners. With regard to the control of the conditions under which they work, reform is now generally admitted to be due, but here again capitalist employers have been, in the past, much too ready to resent what they have regarded as interference with matters that concern them only.

To bring about improvement on these lines, no revolutionary change in human nature is required such as would be necessary for the smooth running of industry by State or Guild

Socialism. We should not all have to be suddenly fired by zeal to work for others with no consideration for ourselves. Capitalists would still be working, as they have to now, to earn profit for themselves by providing the needs of the community. They would only have to recognize, as the best of them do already, that to earn larger profits for the moment by paying their workers less than they can afford to pay is bad policy in the long run; bad for themselves, and bad for the community on whose prosperity and stability they depend. If they would only reflect that if they earn the hostility of consumers by attempts at monopoly, and of the wage-earners by an abuse of the strength that their wealth gives them, they are weaving a rope for their own economic necks, they would be learning a lesson that would be of great benefit to themselves and to everybody else.

Besides their shortsighted attitude to those who work for them, capitalists have done much to undermine their own position in the eyes of detached observers by the use that they have made of the wealth that they have gained. Much of the academic Socialism that is rife among what are called the educated classes is due to the spectacle presented by the rich

bounder spending money in vulgar ostentation. All who earn or own wealth have to remember how much of it they owe to the existence of a busy and prosperous community as part of their raw material, and how little they could have done apart from that environment, and consequently how much of it has been earned for them by the community which has given them their chance. By bad spending they ask industry to produce bad stuff. By good spending on worthy public objects they might transform the appearance of most of the ugly and depressing towns in England, and give us an educational system that could really afford to grant every citizen that is born to us a chance of growing up into a good and healthy man or woman, fully developed in mind and body. Here perhaps we are demanding too great and rapid a change of outlook. But it is surely not too much to hope that the capitalist may learn that, when he wastes money on luxury, he not only exasperates public opinion, but raises the price of necessities, and so emphasizes the inequalities which are so dangerous to the social stability on which his existence depends.¹

¹ This platitude I have worked out in detail in a book called *Poverty and Waste*.—H. W.

252 THE CASE FOR CAPITALISM

These inequalities would be lessened rapidly if the attitude of capitalist employers towards those who worked for them were modified as suggested above. But we want to see them attacked at the other end at the same time, by the wage-earners recognizing that Capitalism is not an evil monster that robs them, but a system that has improved their lot and given life to millions who could not have been born without the industrial development that has taken place under it. Owing to the short-sightedness of the capitalist employer, they have had to fight hard for the improvement gained, but if they want to emancipate themselves from dependence on him, is it not easier and safer to do so by becoming capitalists themselves, and providing for themselves the management, organization and plant without which labour is powerless to produce?

To this end again no great revolution in human nature is needed, but only a development of a process which has already in the Co-operative Movement produced astonishing results. The War Savings Campaign has taught millions who never saved money before to save it in order to save their country when threatened by a foreign enemy. All that is

needed is that this process should be continued to save the country from the internal enemy that sets class against class. We want a financial organization by which wage-earners' savings, that now go into Government securities, can go into industry without having to face the risk that is attached to investments in any particular industry or company. This is a problem that financial ingenuity should surely be able to solve. The workers have already shown that they can become capitalists, but what is wanted is that more of them, and ultimately all of them, should be capitalists. Then, if the wealthy continue to perceive in a widening circle that it is not good for their younglings to bring them up to idleness, we shall begin to be within sight of a state of things in which every worker is a capitalist and every capitalist a worker.

In the meantime improvements in education should give to all a better chance of material success in life, and open the chance of a career to all who have the necessary gifts of courage, honesty, initiative and readiness to take responsibility. Though, owing to the weaknesses of Capitalism, baser qualities too often earn big rewards, these are the gifts that most surely

254 THE CASE FOR CAPITALISM

bring success under it, and they are also the qualities that make a great nation. With these qualities fully developed and given free play, we might produce a country in which all would be competing vigorously in order to supply the needs of the consumer, and, wealth being well distributed, great profits would only be earned by those who served the whole community best. Great profits when earned would be spent sparingly on personal enjoyment, lavishly on worthy public objects, or put back into industry, thereby quickening production and increasing the demand for labour, and material success would be the prize of energy, initiative and courage, wherever found, and so would stimulate the best powers of active, bold and enterprising men and women. Such a system is surely more attractive to those who love freedom than that of State Socialism under bureaucratic control, or Guild Socialism based on monopoly and a society grouped according to function. It would stimulate output to a degree that we can hardly now conceive, and having solved the problem of the supply and distribution of material goods would enable those who lived under it to address themselves to the task of building up a real civilization,

CAPITALISM AND FREEDOM 255

and producing a world that should be not only rich, but also beautiful and noble, full of wise and beautiful and noble men and women, competing and co-operating for the common good.

THE END

This book should be returned to
the Library on or before the last date
stamped below.

A fine is incurred by retaining it
beyond the specified time.

Please return promptly.

